U.S. Department of Labor

Good jobs for everyone




Performance and Accountability Report

FY 2009

FY 2009 Performance and Accountability Report




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Report Outline

This report is divided into five sections:

- The *Secretary's Message* is a letter from the chief executive that highlights the Department's achievements for the year and communicates direction and priorities.

- *Management's Discussion and Analysis* (MD&A) introduces the Department's mission, vision, organization, and activities; summarizes program and financial performance and includes management's assurances regarding compliance with relevant financial management legislation.

- The *Performance Section* presents program results and costs and includes assessments of progress achieving performance goals presented in the Department's Strategic Plan and Performance Budget*.*

- The *Financial Section* demonstrates our commitment to effective stewardship over Federal funds. It includes a letter from the Acting Chief Financial Officer, the *Independent Auditors' Report* (an independent opinion on the Consolidated Financial Statements) and the *Annual Financial Statements.*

- *Other Accompanying Information* includes top management challenges identified by the Office of Inspector General (OIG) and management's response, including progress on those items and related management challenges. This section also includes a summary of financial statement audit and management assurances; details on improper payments reduction activities and results; a list of acronyms; and links to Web sites featuring labor programs and issues.

The seal of the Department of Labor was approved by President Woodrow Wilson on June 21, 1913. It features an eagle with outspread wings above a gold shield divided horizontally by a red band. Gold denotes integrity and red is for courage and endurance.

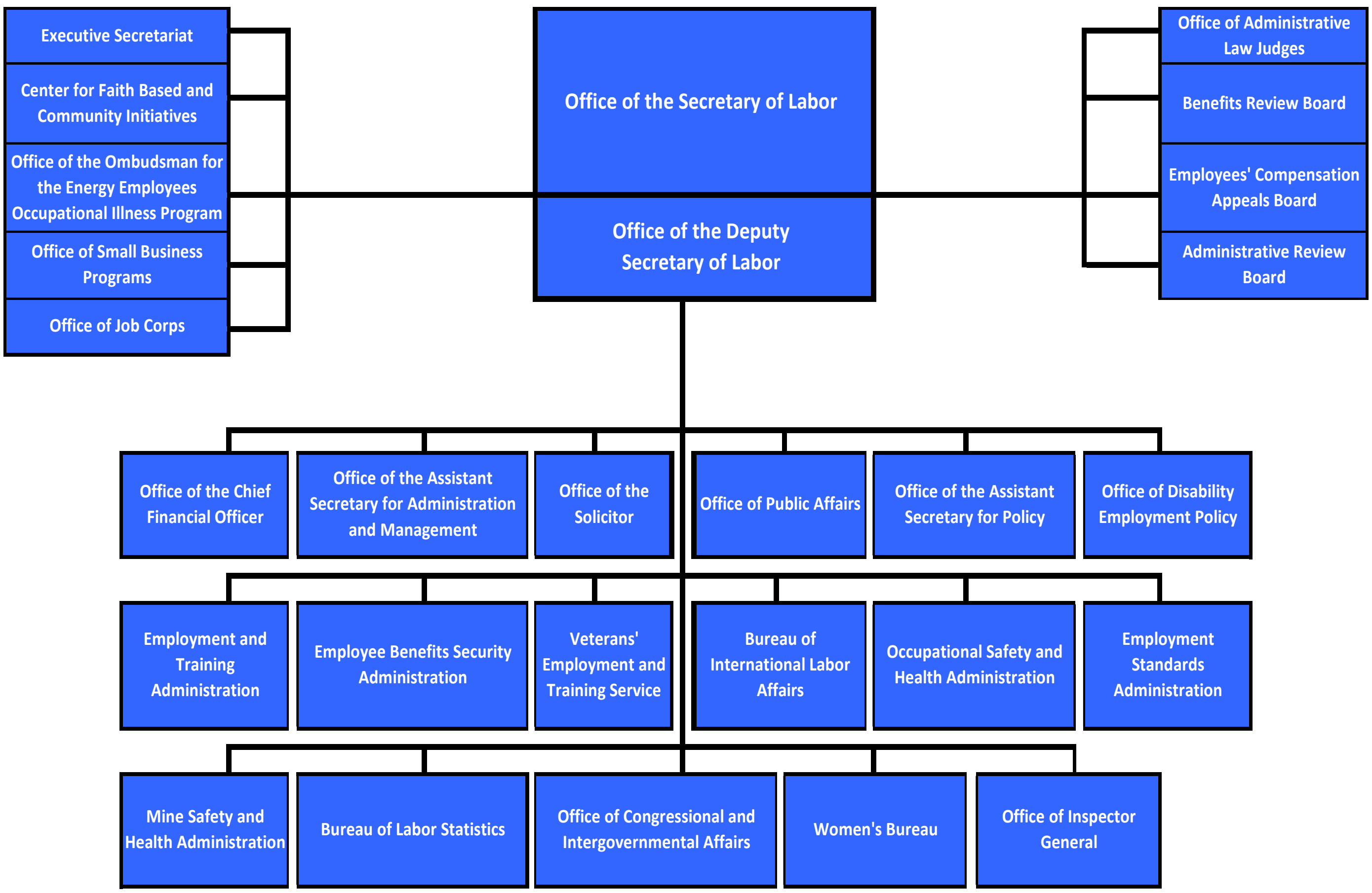
At the top of the shield is an anvil and at the bottom is a plough; both represent industry. On the red band are a pulley, a lever, and an inclined plane. They represent the three fundamental principles of mechanics and humanity's efforts to understand and harness the forces of nature for productive ends.

Mission

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

Organization and Program Activities

The Department accomplishes its mission through component agencies and offices that administer various statutes and programs. These programs are carried out through a network of regional offices and smaller field, district, and area offices, as well as through grantees and contractors. The largest program agencies, each headed by an Assistant Secretary, Commissioner, or Director, are the Employment and Training Administration (ETA), Employment Standards Administration (ESA)[1], Occupational Safety and Health Administration (OSHA), Mine Safety and Health Administration (MSHA), Veterans' Employment and Training Service (VETS), Employee Benefits Security Administration (EBSA), Pension Benefit Guaranty Corporation (PBGC)[2], and Bureau of Labor Statistics (BLS). The following organization chart and table describes major activities and offices.



[1] Since the end of FY 2009, the umbrella organization known as ESA was formally dissolved in order to establish its four components as stand alone divisions/offices (Office of Federal Contract Compliance Programs, Office of Labor-Management Standards, Office of Workers' Compensation Programs, and Wage & Hour Division). References to ESA are retained throughout this report because all applicable appropriations, activities, and results occurred under the previous structure.

[2] PBGC – a Federal corporation created by the Employee Retirement Income Security Act of 1974 – is not included in the DOL organization chart. However, in accordance with the requirements of the Government Performance and Results Act (GPRA), PBGC's performance reporting is included in this report because PBGC's performance goals are included in the Department's performance budget.

Employment and Training	
Employment and Training Administration	Provides job training and education, employment, labor market information, and income maintenance services.
Veterans' Employment and Training Service	Helps veterans, reservists, and National Guard members to secure and to maintain employment and reemployment rights.
Office of Job Corps	Provides job training and education to disadvantaged youth ages 16 through 24.
Women's Bureau	Promotes profitable employment opportunities for women.
Office of Disability Employment Policy	Increases employment opportunities for people with disabilities.
Unemployment Insurance	
Unemployment Insurance	ETA administers programs that provide temporary income support to eligible workers.
Workers' Compensation	
Office of Workers' Compensation Program	Provides wage replacement and other benefits to Federal and certain other workers injured at work or who acquire an occupational disease.
Workplace Safety and Health	
Occupational Safety and Health Administration	Promotes safe and healthful working conditions for America's workers by enforcing compliance with the Occupational Safety and Health Act.
Mine Safety and Health Administration	Promotes the safety and health of the Nation's 400,000 miners by enforcing compliance with Federal mine safety and health laws.
Employment Standards Administration	Advances and protects the welfare and rights of, and generates equal employment opportunity for, American workers.
Health Plan and Retirement Benefit Protections	
Employee Benefits Security Administration	Protects the integrity of pensions, health, and other employee benefit plans for more than 150 million Americans.
Pension Benefit Guaranty Corporation	Insures retirement plan participants' pension benefits and supports a healthy retirement plan system.
Labor Statistics	
Bureau of Labor Statistics	Provides economic and employment statistics, including data on employment, wages, inflation, productivity, and many other relevant topics.
International Policy	
Bureau of International Labor Affairs	Develops policy and programs relating to international labor activities.

Secretary's Message

November 16, 2009

I am pleased to submit my *first* Performance and Accountability Report to Congress and the American people on behalf of the Department of Labor (Department or DOL) – and the Department's eleventh annual report under the Government Performance and Results Act of 1993 (GPRA). This message presents an overview of the Department's mission, goals, and performance in the presidential transition year of Fiscal Year (FY) 2009. It is important to note that the strategic goals, performance goals and indicators in this report were established by the previous Administration. Soon after my arrival, we embarked on the development of DOL's FY 2010 – 2016 strategic plan, which will be published in September 2010. The updated plan will reflect the future direction of the Department – and it will support my bold vision of *good jobs for everyone*.

Program performance in the recently completed year must be understood in the context of the worst economic crisis in decades. The unemployment numbers tell the story. The unemployment rate rose to 9.8 percent by September 2009 – almost double the rate when the recession started in December 2007 (5.0). For Latinos, African Americans, and youth, unemployment rates are much higher. And – from December 2007 through September 2009 – non-farm payroll employment has decreased each month and job losses have totaled 7.2 million. These numbers merely hint at the difficulties faced by millions of America's workers and families. However, they very clearly indicate that the Department has much work to do on their behalf – which is why my vision of *good jobs for everyone* is so important.

It was my honor and privilege to have been nominated to serve as Secretary of Labor by President Obama – and immediately after my February 24, 2009, Senate confirmation as Secretary, I went to work to strengthen the Department's mission to *"foster and promote the welfare of job seekers, wage earners, and retirees of the U.S. by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening collective bargaining, and tracking changes in employment, prices and other national economic measures."* Since that time, I have communicated my vision of *good jobs for everyone* – and, working with the talented staff in each of the Department's agencies – I have identified 13 outcome goals that directly support my vision. The following summary of our FY 2009 performance is organized around those goals:

1. Increasing workers' incomes and narrowing wage and income inequality.
   - Six-month average earnings for Workforce Investment Act (WIA) Adult program participants increased from $13,575 in July 2007-June 2008 to $14,695 in July 2008-June 2009. Over the same period, WIA Dislocated Worker participants' earnings rose from $15,188 to $16,304; Senior Community Service Employment Program (SCSEP) participants' earnings rose from $6,713 to $6,782; and Employment Service participants' earnings dropped from $12,763 to $11,074. Trade Adjustment Assistance (TAA) participants' earnings dropped from $14,281 in FY 2008 to $13,967 in FY 2009.

2. Securing safe and healthy workplaces, particularly in high-risk industries.
   - In mines, the fatality rate and the all-injury and illness rate both decreased to seven-year lows. The fatality rate was 0.0200 per 200,000 hours worked in FY 2007, 0.0152 in FY 2008, and an estimated 0.0141 in FY 2009.

3. Securing wages and overtime.
   - Wage and Hour law enforcement and compliance results improved by all five performance measures for its associated performance goal – in several cases reversing a two year slump. For instance, the overall level of compliance among prior violators increased by 10 percentage points from 56 percent in FY 2008 to 66 percent in FY 2009.

4. Assuring skills and knowledge that prepare workers to succeed in a knowledge-based economy, including in high-growth and emerging industry sectors like "green" jobs.
   - WIA Youth program participants' placement in employment, post-secondary education or advanced occupational training improved by five percentage points, and literacy/numeracy gains improved by almost nine percentage points.

5. Breaking down barriers to fair and diverse work places so that every worker's contribution is respected.
   - Claims under the Uniformed Services Employment and Reemployment Rights Act (USERRA) increased, but investigation timeliness improved. USERRA claims increased by eight percent in FY 2009 compared to FY 2008 due in part to continued use of the National Guard and Reserve in America's ongoing wars overseas, and average investigation time decreased by 17 percent.

6. Improving health benefits and retirement security for all workers.
   - Employee Retirement Income Security Act (ERISA) fiduciary violations were corrected in 72 percent of the civil cases closed during FY 2009 – an improvement upon the 70 percent performance in FY 2008.

7. Providing workplace flexibility for family and personal care-giving.
   - In 2009, the Department issued a final rule implementing the statutory expansion of the Family and Medical Leave Act (FMLA) for military families, including National Guard and Reserve personnel. The rule expands FMLA protections for family members caring for a covered service member with a serious injury or illness incurred in the line of duty while on active duty.

8. Facilitating return to work for workers experiencing workplace injuries or illnesses who are able to work and sufficient income and medical care for those who are unable to work.
   - Federal non-postal employees lost just 35 days of work per 100 employees, continuing a steady downward trend that began at 62 days in FY 2004.
   - Dramatic improvements were achieved in processing nuclear industry workers' initial benefit claims. Energy program Part B claims took, on average, 113 days vs. 164 just last year; Part E claims took 159 days vs. last year's 284.

9. Income support when work is impossible or unavailable.
   - The recession increased average unemployment from 5.3 percent in FY 2008 to 8.6 percent in 2009. In the American Recovery and Reinvestment Act of 2009 (Recovery Act), Congress provided relief by funding additional benefits through several temporary programs. New Unemployment Insurance (UI) benefit claims rose 70 percent, and payments rose 181 percent to $119.22 billion. Workloads increased accordingly, and despite Federal funding for administration of the new programs and benefits, results declined for all four performance indicators (first payment timeliness, reduce overpayments, reemployment, and new tax liability determination).

10. Helping workers who are in low-wage jobs or out of the labor market find a path into middle class jobs.
   - Entered employment and employment retention rates for all veterans served by One-Stop Career Centers both fell slightly but remained above 60 and 80 percent, respectively.
   - Entered employment rates rose for TAA participants but fell for those served by the WIA Adult and Dislocated Worker programs, the Employment Service, and SCSEP.

11. Voice in the workplace.
    - Office of Labor-Management Standards (OLMS) reduced the number of days taken to resolve complaints of violations of the Labor Management Reporting and Disclosure Act (LMRDA) in union officer elections to 70 days, compared to the FY 2008 baseline of 92 days.
    - Office of Federal Contract Compliance Programs (OFCCP), with the assistance of the Office of the Solicitor, determined and resolved 77 systemic discrimination cases, benefiting more than 21,820 workers through compliance evaluations of scheduled Federal contractors.

12. Assuring that global markets are governed by fair market rules that protect vulnerable people, including women and children, and provide workers a fair share of their productivity and voice in their work lives.
    - DOL-supported projects withdrew or prevented 144,890 children from exploitive labor by providing education and/or training opportunities.

13. Helping middle-class families remain in the middle class.
    - Retention in employment fell for participants in TAA, WIA Adult and Dislocated Worker, the Employment Service, and SCSEP – largely due to the economic recession.

Despite the extraordinary economic challenges, DOL achieved nearly half its goals in FY 2009. Building upon this effort, the Department has developed a three-part framework for achieving the 13 outcome goals that support *good jobs for everyone*. They are: Innovation, Evaluation/Data Driven Strategies, and Improved Implementation. This three-part strategy reflects a Department-wide commitment to continuous improvement in all of our programs. Our management strategies include:

- Engaging in a rigorous process of program evaluations and research to assure that the Department's initiatives serve their intended goals and Departmental vision;
- Producing accurate, timely statistics and statistical analyses reflecting the condition of workers in labor markets and the economy as a whole; and
- Assuring that the Department's customers receive excellent service consistent with the law and responsible practice.

Recovery Act

President Obama signed the historic Recovery Act on February 17, 2009. The Department moved aggressively to implement the Recovery Act's provisions that protect workers who have lost their jobs, provide new training opportunities for workers looking to upgrade their job skills, and create new job opportunities in emerging sectors such as clean energy and health information technology.

- More than $33 billion in Recovery Act funds has been made available to the States to maintain critical support to unemployed workers via Unemployment Insurance (UI) programs.
- The Department allocated $3.5 billion in worker training funds to state worker training programs.
- DOL made $500 million available in competitive grants for training for green jobs in fields such renewable energy production, energy-efficiency home retrofitting, biofuel development, and advanced drive train/vehicle development and manufacturing.
- Through our summer youth employment program, nearly 290,000 young people gained valuable work experience.
- The Recovery Act included the Trade and Globalization Adjustment Assistance Act (TGAAA) of 2009, which expanded eligibility for benefits to Service Workers, Public Employees, and workers who produce component parts of the finished products; raised the annual funding cap for training services from $220 million to $575 million; and added 26 weeks of income support to eligible workers who exhausted their entitlement to Unemployment Compensation benefits.

More information on the Recovery Act – and our accomplishments – is contained in this report. You can also find up-to-date Recovery Act resources and accomplishments at www.dol.gov/recovery.

Our Strategy

Moving forward, we know that the Department will continue to face challenges as we work to serve and protect America’s workers. But we have strategies for success:

Rebuilding the Economy

We are investing nearly $1 billion in grants to prepare workers for green jobs and high-growth emerging industries. Green jobs provide an opportunity to rebuild our communities in an equitable manner. In order to realize this opportunity, the Department included features to prioritize access and inclusion in green job training programs for low-income workers, unemployed youth and adults, high school dropouts and other underserved sectors of the workforce in areas of high poverty. These represent some of the communities hardest hit by this recession, and they too will have an opportunity to benefit from green jobs in our economic recovery.

In order to forge a government-wide approach to the development and expansion of green industries, DOL is designing its green job training grants to work in concert with other Federal funding that creates jobs. For example, we are coordinating with the Department of Energy (DOE) to prepare technical assistance for the workforce system and green job grantees to understand Federal energy investments so they can better advise, train, and refer job seekers to opportunities connected to DOE funding.

Rebuilding the Middle Class

Everyone must benefit from what we are doing. We are making sure that communities of color, youth, veterans, workers with disabilities, and women participate in these new opportunities. And here's why:

- Women earn 80 cents for every dollar a man earns. We need to get more women into the highest paying professions.
- Our soldiers pledge to leave no one behind on the battlefield. We pledge to leave no veteran behind when they come home and want to find work.
- And shockingly, 77 percent of individuals with disabilities do not participate in our labor force. We are making sure that we utilize this untapped, highly motivated and highly educated workforce.

Protecting Workers

Both the Recovery Act and the President’s policies call for a significant realignment of the Department's priorities, including shifting resources to agencies charged with enforcing workplace safety and health laws and the Fair Labor Standards Act. The Department has developed an aggressive, comprehensive hiring plan for its worker protection agencies. Our plan places a special emphasis on hiring multilingual inspectors and investigators so that our worker protection team matches the languages used in the workplace.

The Department moved quickly to reverse regulatory actions that had the effect of lowering wages, that created unnecessary bureaucratic obligations to unions filing documents with the Department, and that otherwise disadvantaged workers. DOL has initiated rulemaking on regulations concerning foreign labor certification for agricultural workers, union reporting requirements, and workplace safety issues.

Program Data and Financial Systems

Department managers routinely use the performance and financial information summarized in this report to improve the quality and cost-effectiveness of services they provide to the public. For management and accountability purposes, it is crucial to have confidence in the quality of this information. DOL conducts annual performance data quality assessments to achieve these goals and to comply with the pertinent requirements of OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*. These assessments promote continuous improvement in performance goal data by applying criteria such as accuracy, validity, and timeliness. Based on such criteria, the Department's data quality is rated *Very Good* or *Excellent* for over three-fourths of its performance goals. More information on program performance data quality is in the introduction to the Performance Section.

Management assurances regarding the results of the assessment of internal controls pursuant to the Federal Managers' Financial Integrity Act (FMFIA) and compliance of financial management systems with the Federal Financial Management Improvement Act of 1996 (FFMIA) are included in the *Management's Discussion and Analysis* section of this report.

Conclusion

Again, it is my pleasure to submit my first Performance and Accountability Report to Congress and the American people. This report outlines the Department's performance and accomplishments in FY 2009 and describes how DOL is creating new opportunities for hard-working families while protecting each and every worker, each and every day.

Through my vision of *good jobs for everyone* and the supporting outcome goals, we continue to make strategic investments in opportunities for Americans to help them through these difficult times. But we can't do it alone. So, I invite you to do a little more: mentor a young person, volunteer at a veterans' center, or just help a friend who needs a little care and support. If each of us makes a personal commitment to make a contribution to the recovery of our economy and our nation, our efforts *will* make a difference.

And now, let's *all* do the work that will get America working.

Hilda L. Solis
Secretary of Labor

Management's Discussion and Analysis

Program Performance Overview

Fiscal Year (FY) 2009 marks the 11th year that the Department has reported program results under the Government Performance and Results Act (GPRA). Most DOL program level goals and indicators for this reporting period are included in the FY 2010 Performance Plan[3]; they provide the basis for assessments of DOL's effectiveness. The Department's goal structure as outlined in the FY 2006-2011 Strategic Plan[4] has three levels:

- **Strategic Goals**
  In FY 2009, four goals focused DOL's various activities on outcomes associated with a common mission:

  Goal 1 – *A Prepared Workforce*: *Develop a prepared workforce by providing effective training and support services to new and incumbent workers and supplying high quality information on the economy and labor market.*
  Goal 2 – *A Competitive Workforce*: *Meet the competitive labor demands of the worldwide economy by enhancing the effectiveness and efficiency of the workforce development and regulatory systems that assist workers and employers in meeting the challenges of global competition.*
  Goal 3 – *Safe and Secure Workplaces*: *Promote workplaces that are safe, healthful and fair; guarantee workers receive the wages due them; foster equal opportunity in employment; and protect veterans' employment and reemployment rights.*
  Goal 4 – *Strengthened Economic Protections*: *Protect and strengthen worker economic security through effective and efficient provision of unemployment insurance and workers' compensation; ensuring union transparency; and securing pension and health benefits.*

- **Performance Goals**
  Each strategic goal is supported by several performance goals that are aligned with DOL's organization and appropriations to provide clarity of purpose and accountability at the program level. This report includes 23 performance goals.

- **Performance Indicators**
  Performance goal achievement is determined by aggregating results for one or more quantitative indicators (measures) using a strict, transparent rule.[5] This report includes 82 performance indicators.

DOL Program Performance and Net Costs

The following table indicates FY 2009 program performance goal achievement by strategic goal. Seven of the 23 performance goals are for forward-funded Workforce Investment Act (WIA) programs whose spending and performance are reported for a Program Year (PY) that lags the Federal fiscal year by nine months. Hence, these programs are reporting on a different period (PY 2008 – July 1, 2008 to June 30, 2009).

A tally of goals achieved indicates whether DOL is on schedule with its plan; our performance this year was mixed. However, there is no single explanation for successes or failures. To understand what was achieved in terms of benefits to the public, it is necessary to look at how activities impact outcomes and consider significant trends in

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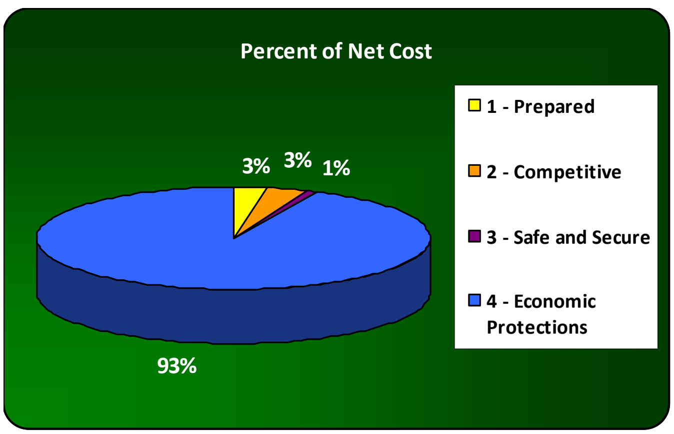
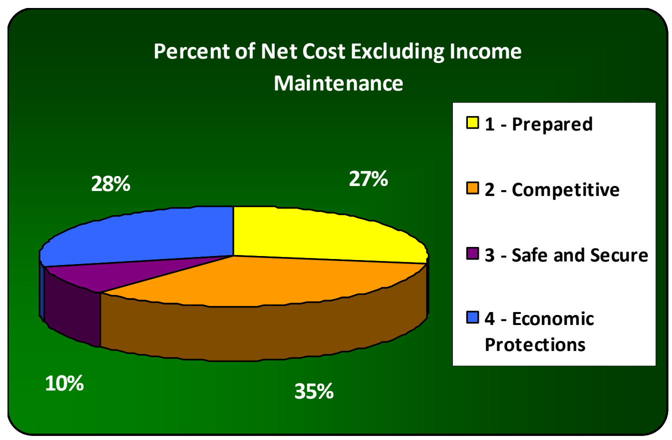
[3] See http://www.dol.gov/dol/budget/.
[4] See http://www.dol.gov/_sec/stratplan/main.htm. In FY 2010, the structure has changed. Thirteen outcome goals are supported by numerous programs and performance indicators and shared by different groups of agencies. These goals, which were introduced in the Secretary's Message, are linked to existing programs in the Analysis and Future Plans sections of each performance goal narrative in the Performance Section.
[5] *Achieved* means all indicator targets were reached. *Substantially Achieved* means targets are reached or results improved over the prior year for all indicators if there are four or fewer and for 80 percent if there are five or more.

the data and their implications. Narratives in the Performance Section, which are organized by strategic and performance goal, discuss these matters.

Strategic Goals	FY 2009/PY 2008 Performance Goal Achievement Summary			
	Goals Achieved	Substantially Achieved	Not Achieved	Total
Goal 1 – *A Prepared Workforce*	2	0	3	5
Goal 2 – *A Competitive Workforce*	4	0	4	8
Goal 3 – *Safe and Secure Workplaces*	3	0	2	5
Goal 4 – *Strengthened Economic Protections*	1	0	4	5
Total	10	0	13	23

Total Net Cost[6] of DOL activities for FY 2009 was $138.367 billion. An allocation based on the Department's goal structure indicates that Goal 4 is dominant – accounting for $128.655 billion, or 93 percent of the total (see first chart below). Most of these costs are *mandatory* – unemployment benefit payments to individuals who are laid off or out of work and seeking employment ($120.300 billion of the $123.541 billion associated with Goal 09-4A) plus disability benefit payments to individuals who suffered injury or illness on the job ($4.458 billion of the $4.878 billion associated with Goal 09-4B). The second chart illustrates allocation of an adjusted net cost of $13.609 billion that excludes these Income Maintenance expenditures. On this basis, Goal 4 accounts for 28 percent of the total.





Goal 1 required $3.682 billion (three percent and 27 percent of unadjusted and adjusted totals) for employment-related services. Goal 2 accounted for $4.725 billion, three percent and 35 percent, respectively, which went toward job training programs and other services focused on maintaining America's position in a global market for labor. Approximately $1.304 billion (one percent and ten percent of the totals) went toward Goal 3 to fund direct services (such as salaries of Federal employees) aimed at improving safety, health, and security in the workplace.

The next table provides comprehensive net cost information. It is important to note that while all net cost information in this report is derived from the same financial accounting system, Department of Labor Accounting and Related Systems (DOLAR$), there are significant differences between statements in the Performance Section and in the Financial Section due to the Department's numerous forward-funded programs (i.e., those operating on a Program Year). Most DOL programs also report costs at the performance indicator level; this information is provided in the Performance Section. For many performance goals, charts display five years of net cost data.

[6] *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 DOL and by other Federal agencies.

Goal	Net Costs in $millions[7]		
	FY 2007 PY 2006	FY 2008 PY 2007	FY 2009 PY 2008
Strategic Goal 1: *A Prepared Workforce*	**$3,267**	**$3,464**	**$3,687**
Performance Goal 09-1A (BLS)	574	574	589
Performance Goal 08-1B (Job Corps)	1,485	1,589	1,640
Performance Goal 08-1C (WIA Youth)	866	966	1,125
Performance Goal 09-1D (Apprenticeship)	24	25	25
Performance Goal 08-1E (VETS Employment Services) [8]	181	190	219
Other (Youth Offender Reintegration, Indian and Native American Youth Programs, Homeless Veterans' Reintegration Program, etc.)	136	120	88
Strategic Goal 2: *A Competitive Workforce*	**$5,060**	**$4,829**	**$4,725**
Performance Goal 08-2A (WIA Adult)	896	844	878
Performance Goal 08-2B (WIA Dislocated Worker)	1,409	1,307	1,440
Performance Goal 08-2C (Employment Service)	749	732	699
Performance Goal 08-2D (Senior Community Service Employment Program)	444	479	543
Performance Goal 09-2E (Trade Adjustment Assistance)	805	755	481
Performance Goal 09-2F (Foreign Labor Certification)	63	40	54
Performance Goal 09-2G (ODEP)	34	27	29
Performance Goal 09-2H (ILAB)	101	79	69
Other (Indian and Native American Adult Programs, National Farmworker Jobs Program, Work Incentive Grants, Transition Assistance Program, Pilots, Demonstrations, Research & Evaluations, Community Based Job Training Grants, H-1B Technical Skills Training, National Electronic Tools and other ILAB programs)	560	566	531
Strategic Goal 3: *Safe and Secure Workplaces*	**$1,237**	**$1,281**	**$1,304**
Performance Goals 09-3A (OSHA)	547	554	556
Performance Goal 09-3B (MSHA)	356	388	403
Performance Goal 09-3C (Wage and Hour)	221	227	232
Performance Goal 09-3D (Federal Contractor Compliance)	103	102	102
Performance Goal 09-3E (USERRA)	10	10	10
Strategic Goal 4: *Strengthened Economic Protections*	**$38,445**	**$48,957**	**$128,640**
Performance Goal 09-4A (Unemployment Insurance)	34,647	45,035	123,541
Performance Goal 09-4B (Workers' Compensation)	3,554	3,693	4,878
Performance Goal 09-4C (Labor-Management Standards)	68	58	56
Performance Goal 09-4D (EBSA)	176	170	165
Performance Goal 09-4E (PBGC)[9]	–	–	–

[7] Sums may not equal higher level totals due to rounding.

[8] Approximately $30 million in costs were shifted from VETS (Goal 1E) to Goal 1 Other for PY 2006 and PY 2007 in this statement because performance indicators for the Homeless Veterans' Reintegration Program were dropped in PY 2008.

[9] Costs for Performance Goal 09-4E (PBGC) are not referenced because PBGC's financial statements are not part of the Department's consolidated statements. PBGC's financial statements can be found in their Annual Management Report at http://www.pbgc.gov/doc/2009AMR.pdf.

Costs Not Assigned to Goals	**$10**	**$10**	**$11**
Total[10]	**$48,019**	**$58,540**	**$138,367**
Reconciliation to the Consolidated Statements of Net Cost:			
Less costs for programs included above on a program year basis (July 1 to June 30)	**$6,433**	**$6,490**	**$6,858**
Plus costs for these same programs on a fiscal year basis (October 1 to September 30)	**$6,704**	**$6,257**	**$7,931**
Less Job Corps PY 2008 invoices posted in PY 2009	–	–	**$180**
Less variance between DOLAR$/GPRA and Net Cost of Operations per Consolidated Statements of Net Costs	–	–	**$141**
Net Cost of Operations per Consolidated Statements of Net Cost	**$48,291**	**$58,307**	**$139,118**

Recovery Act

The American Recovery and Reinvestment Act of 2009 (Recovery Act) aims to create or save over 3.5 million jobs over two years and to jumpstart and transform our economy in the process. Since our nation's greatest resource is its workers, the Recovery Act targets investments to key areas that will create and preserve good jobs. DOL has two key roles in this recovery effort: providing worker training for these jobs; and easing the burden of the recession on workers and employers by providing extended and expanded unemployment benefits and assisting and educating them regarding expanded access to continued health benefits.

DOL has 23 Recovery Plans, each of which describes what the Recovery Act has authorized, and how the Department is implementing its provisions and measuring the results of those activities. The first one listed is for administrative support activities performed by the Office of the Chief Financial Officer (OCFO) and the Office of Acquisition Management Services and Human Resources Center within the Office of the Assistant Secretary for Administration and Management (OASAM). The next three plans are named after the responsible DOL agencies or offices. All remaining plans are at the program level; they are listed under their respective DOL agencies, and brief descriptions are provided for some of them. All plans associated with a performance goal are discussed in their Performance Section narratives. Results for all 23 recovery programs will be posted on the Web each quarter at www.recovery.gov and www.dol.gov/recovery.

- Financial Oversight and Reporting, Hiring, and Procurement

- **Occupational Safety and Health Administration**. OSHA was allocated 36 Full Time Equivalent employees (FTEs) in FY 2009 to protect worker safety and health through targeted enforcement, particularly in the construction industry. The agency established Local Emphasis Programs for its Recovery Act work and has already surpassed its FY 2009 federal inspection goal by conducting 665 inspections through the third quarter of FY 2009.

President Obama signs the American Recovery and Reinvestment Act (February 17, 2009). Photo Credit: Pete Souza, the White House

[10] This total does not match total net costs in the Consolidated Statements of Net Cost as certain costs in this table are presented on a program year basis. All costs in the Consolidated Statements of Net Cost are on a fiscal year basis.

- **Job Corps**. Approximately 85 percent or $211.6 million of the $250 million in Recovery Act funding will be invested in construction, rehabilitation and acquisition of Job Corps centers; $10 million of the funds will be used to incorporate green technologies and training into Job Corps' career technical training programs.

- Office of the Solicitor

Employee Benefits Security Administration

- **COBRA Premium Assistance**. The Consolidated Omnibus Budget Reconciliation Act (COBRA) premium assistance provisions expand COBRA eligibility and provide eligible individuals with a 65 percent reduction of their COBRA health plan premiums for up to nine months. If eligible, these individuals pay only 35 percent of their COBRA premiums to the plan and the remaining 65 percent is paid by the government through a payroll tax credit to the employer.

Employment Standards Administration

- Federal Contract Compliance Programs

- Mass Transit Employee Protection Program

- Davis-Bacon and Related Act Wage Determination and Government Contract Labor Standards Enforcement

Employment and Training Administration

- **Wagner-Peyser Act Employment Service**. The Recovery Act made an additional $150 million available for Employment Service Operations, plus $250 million for targeted reemployment services to unemployment insurance claimants. States are using these funds to provide more people access, through the network of One-Stop Career Centers, to employment and workforce information, and to provide a greater variety of core and intensive employment services.

- **Unemployment Insurance – Extension of the Emergency Unemployment Compensation, 2008 (EUC08) and Federal Additional Compensation Program (FAC)**. In June 2008, EUC08 was enacted to provide additional 100 percent federally-funded benefit payments to individuals who exhaust their eligibility for regular unemployment compensation and have no other rights to extended benefits. Through May 2009, the Recovery Act funded $1.1 billion of the benefits paid for EUC08 claims.

- Unemployment Insurance – Modernization ($7 Billion Incentive Fund)

- Unemployment Insurance – Special Transfer for Administration ($500 Million)

- Training Grants for Green Jobs and Emerging Industry Sectors

- Senior Community Service Employment Program

- Trade Adjustment Assistance

- National Emergency Grants for Health Coverage Assistance

- Work Opportunity Tax Credit (WOTC) Program

- Workforce Investment Act Adult Program

- **Workforce Investment Act Dislocated Worker Program**. An additional $1.25 billion was made available to the program for expanding services, as authorized by WIA, using the same State and local allocation formula. The Recovery Act calls for greater quantity and quality training services; States are expected to improve assessments and career counseling to place workers in high growth sectors with long term opportunities. States have the authority to enter into contracts with institutions of higher education, such as community colleges, or other eligible training providers to facilitate training multiple individuals for high-demand occupations as long as the contract does not limit customer choice.

- Dislocated Worker National Emergency Grants

- **Workforce Investment Act Youth**. The Recovery Act also made an additional $1.2 billion available for WIA Youth activities, using the same formula as the regular appropriation. The grantees, using these funds, provide additional authorized WIA Youth activities with a specific focus on creating summer employment opportunities for youth. The Recovery Act also extended the youth eligibility age from 21 to 24 and encouraged local areas to expose participating youth to opportunities in green jobs in the construction, energy efficiency, renewable energy, and other related industries.

- Workforce Investment Act Section 166 Native American Program, Supplemental Youth Services Program

- YouthBuild

Financial Performance Overview

Sound financial management is an integral part of the Department's efforts to deliver services and administer programs. With the Department's emphasis on internal controls, accurate financial information delivery to key decision makers, and transparent and accountable reporting, the Department's stakeholders can be confident that resources are used efficiently and effectively.

DOL's internal control program and centralized processes for reporting financial data help to ensure the relevance and reliability of financial performance data. DOL's comprehensive internal control program has the objective of providing, on a continuing basis, reasonable assurance that all financial, non-financial, performance, statistical records, and related reports are reliable. DOL's internal control program helps ensure that appropriate internal controls are in place for financial performance management and that Agencies institute sound, effective internal control policies and procedures for financial performance measurement and regular evaluation of their processes. Financial performance is evaluated during comprehensive ongoing financial management reviews and corrective actions are implemented as required to resolve audit findings and increase efficiency. On quarterly and annual bases, certification of the effectiveness of internal controls over financial reporting is obtained from all DOL Agency Heads. These business processes help to ensure that reported financial performance information is relevant and reliable.

In FY 2009, DOL used managerial cost accounting (activity-based costing) for costing programs and performance indicator results. Activity-based costing is a U.S. generally accepted accounting principle promulgated by the Federal Accounting Standards Advisory Board (FASAB) in the Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Standards and Concepts for the Federal Government*, as amended by SFFAS No. 30, *Inter-Entity Cost Implementation*. The statement outlines the standards for Federal entities to provide "reliable and timely information on the full cost of federal programs, their activities, and outputs." This information can be used to allocate resources and evaluate program performance. Activity-based costing directly supports the sections of the PAR that address Program Net Costs and the Statement of Net Costs. Total Net Costs of DOL activities for FY 2009 were $139.1 billion.

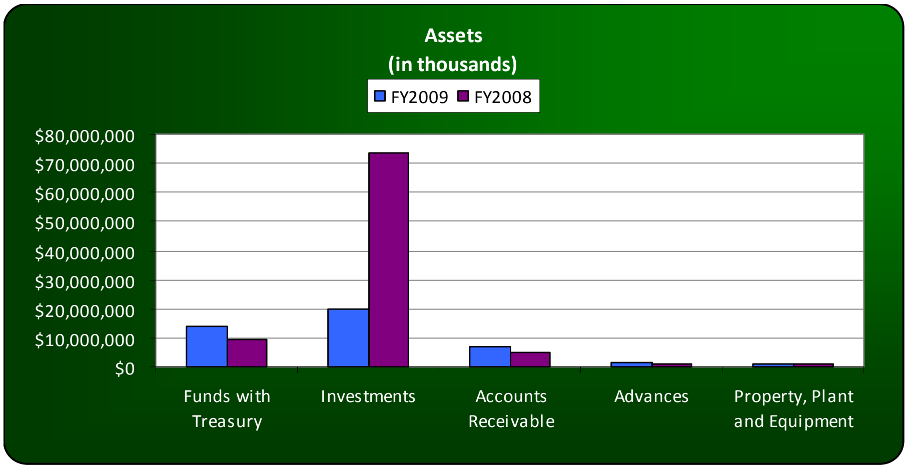
The Debt Collection Improvement Act (DCIA) of 1996 designated the U.S. Department of the Treasury as the central agency for collection of debts owed the Federal Government. Debt management accounts for a relatively small part of DOL's financial management activities; the majority of debts managed by DOL relate to the assessment of fines and penalties as a result of its enforcement programs. Through the third quarter of FY 2009, DOL referred debt in the amount of $119,173,512 to the Treasury for collection. DOL continues to monitor and aggressively pursue delinquent debt and will continue to refer eligible debt to Treasury for collection.

The Department continues to make improvements in its efforts to meet requirements of the Prompt Payment Act (PPA). The PPA requires Executive agencies to pay commercial obligations within discrete time periods and to pay interest penalties when those time constraints are not met. During FY 2009, approximately $1.4 billion in gross payments were made, including approximately $258,000 in interest penalty fees. Also during FY 2009, there were over 112,000 payments made to vendors and travelers. Of this amount, 3,168 invoices were paid late, resulting in 3 percent of the total payments incurring interest penalties.

The Department also works with its agencies to increase the number of vendors receiving payments through electronic fund transfer (EFT). The total number of vendors receiving EFT payments in FY 2009 remained at 99 percent, the same as in FY 2008. Although the Employment Standards Administration is continuing to promote EFT payments for their benefit and medical programs, its percentage rate continues to remain below Treasury's goal of 98 percent.

Analysis of Financial Statements

The principal financial statements summarize the Department's financial position, net cost of operations, and changes in net position, and provide information on budgetary resources and refinancing for FY 2009 and FY 2008. Highlights of the financial information presented in the principal financial statements are shown below.

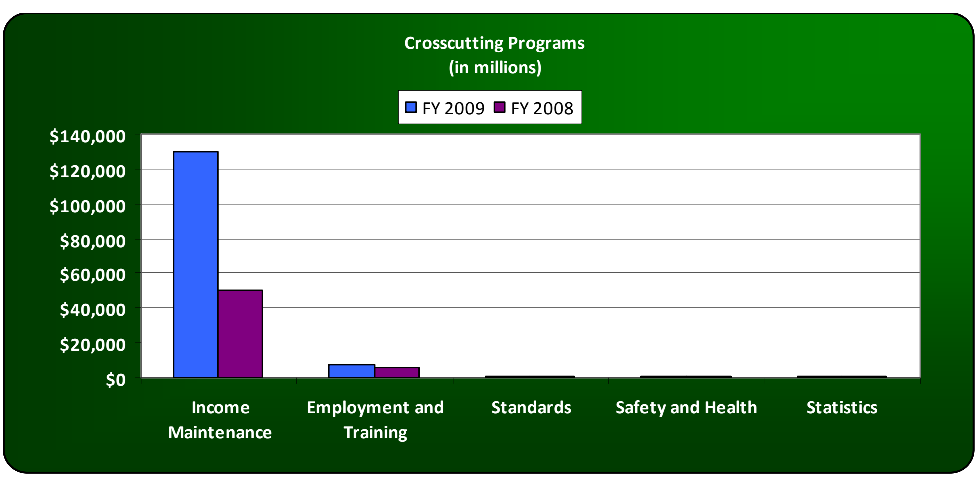


Financial Position

The Department's Balance Sheet presents its financial position through the identification of agency assets, liabilities, and net position. The Department's total assets decreased from $89.9 billion in FY 2008 to $44.2 billion in FY 2009. The decrease in total assets primarily was accounted for in the Department's investments. Balances held in the Unemployment Trust Fund are invested in non-marketable, special issue Treasury securities. A portion of these investments was liquidated to pay unemployment benefits. Liabilities increased from $22.6 billion at the end of FY 2008 to $29.7 billion in FY 2009. This increase was due primarily to increases in liabilities for current and future benefits and intra-governmental debt. Liabilities for current benefits increased due to the increase in program expenses for unemployment benefits. Intra-governmental debt increased because the Unemployment Trust Fund borrowed from the General Fund of the Treasury to meet program requirements.

Net Cost of Operations

The Department's total net cost of operations in FY 2009 was $139.1 billion, an increase of $80.8 billion from the prior year. This increase was attributable to the following crosscutting programs:



Income Maintenance programs continue to comprise the major portion of costs. These programs include costs such as unemployment benefits paid to individuals who are laid off or out of work and seeking employment, as well as payments to individuals who qualify for disability benefits due to injury or illness suffered on the job. Income maintenance increased by $79.3 billion from FY 2008 to FY 2009. The primary reasons for this increase were the increase in regular unemployment benefits paid and the additional weeks of emergency unemployment compensation (EUC) provided by the enactment of the EUC program in June 2008, its expansion in November 2008, and its extension by the Recovery Act in February 2009.

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

***Statement of Budgetary Resources**.* This statement reports the budgetary resources available to DOL during FY 2009 and FY 2008 to effectively carry out the activities of the Department as well as the status of these resources at the end of each fiscal year. The Department had direct obligations of $174.7 billion in FY 2009, an increase of $112.3 billion from FY 2008.

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

Financial Management Systems and Strategy

DOL continues to pursue its financial management system strategy to improve reporting, accountability, and decision making, while furthering implementation of key Government-wide initiatives, e-Gov requirements, and other regulatory mandates. The Department seeks to maintain financial management systems, processes, and controls that ensure financial accountability, provide useful information to management, and satisfy Federal laws, regulations, and guidance.

In FY 2009, DOL’s financial management functions, processes, and activities were distributed across multiple information systems and financial applications, all centered on the Department of Labor Accounting and Related Systems (DOLAR$) mainframe accounting system. DOLAR$ was implemented in 1989, prior to all of the modern day laws and regulations that drive Federal accounting, financial management systems, financial management reporting, and security, such as the Chief Financial Officers Act of 1990, the Government Performance and Results Act of 1993, the Federal Financial Management Improvement Act of 1996, the Reports Consolidation Act of 2000, and the Federal Information Security Management Act (FISMA) of 2002. DOLAR$ has been both enhanced and extended numerous times to meet Departmental and external requirements resulting from new laws and regulations; however, the system’s antiquated technology does not allow DOL to efficiently and effectively meet its current and future needs.

On January 15, 2008, DOL released a Request for Proposal (RFP) on Federal Business Opportunities (FBO) for the purpose of obtaining the services of a Financial Management Line of Business (FMLoB) Shared Service Provider (SSP) to modernize DOL’s core financial functions from DOLAR$ to the New Core Financial Management System (NCFMS).

DOL sought the services of a federal or commercial FMLoB SSP in the following areas:

- **Technology Hosting and Administration Services –** involves providing the IT infrastructure (facilities and infrastructure software) that serves as the foundation for running business software applications and the services to maintain that infrastructure.
- **Application Management Services –** involves providing the software and services for running and managing access to business software applications, in this case, financial management software and the feeder systems that provide data to the financial management software.
- **System Implementation Services** – includes services to help an agency through a migration of their current financial management operations to the FMLoB SSP environment.

After detailed evaluation of the responses received, DOL selected and issued an award to Global Computer Enterprises (GCE) on June 26, 2008. GCE is a small business located in Reston, Virginia that has partnered with several other firms, including Grant Thornton, Qwest, and several other firms to provide the complete FMLoB SSP services. GCE began work on July 1, 2008, to have the system fully implemented and operational in FY 2010.

Reducing Improper Payments

Improved financial performance through the reduction of improper payments continues to be a key financial management focus of the Federal government. At DOL, developing strategies and the means to reduce improper payments is a matter of good stewardship. Accurate payments lower program costs.

In accordance with the Improper Payments Information Act (IPIA) of 2002, as implemented by the OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, the Department reviews its programs and activities annually, identifies programs that may be susceptible to significant improper payments, performs testing of programs considered high risk, establishes improper payment reduction targets in accordance with OMB guidance and develops and implements corrective actions for high risk programs.

The Department has two programs that are classified to be at risk of significant improper payments in accordance with OMB criteria or classification – the Unemployment Insurance (UI) benefit program and the Workforce Investment Act (WIA) grant program. The UI improper payments reduction target error rate for FY 2009 was 10.0 percent, whereas the estimated error rate is 10.3 percent. This difference is primarily due to an increase in overpayments to UI claimants who were not actively registered, as required, for job referral and reemployment services, as States struggled to keep pace with the large increase in workload due to the adverse labor market conditions. The higher rate for WIA in FY 2009 is primarily due to including the results of DOL Office of Inspector General audits and other monitoring activities in the measurement methodology. The table below shows the estimated improper payments error rates for the programs classified as at-risk:

DOL Program	FY 2008		FY 2009		FY 2010
	Target	Actual	Target	Actual	Target
Unemployment Insurance	11.5%	10.0%	10.0%	10.3%	9.9%
Workforce Investment Act	0.19%	0.07%	0.07%	0.2%	0.07%

The Department has implemented various corrective actions to address the causes and reduce improper payments in each of these programs. Like many other Federal agencies, the Department faces challenges in meeting its improper payment reduction and recovery targets, particularly with programs that are sensitive to economic fluctuations or natural disasters, such as the UI program. Furthermore, meeting improper payment reduction and recovery targets of programs such as UI and WIA are contingent upon the cooperation and support of State agencies and other outside stakeholders who are intricately involved in the day-to-day administration and management of these programs' activities.

See the "Other Accompanying Information" section of this report for additional information on improper payments.

Management Assurances

Federal Managers' Financial Integrity Act of 1982 (FMFIA)
FMFIA requires that agencies establish internal controls and financial systems that provide reasonable assurance that the integrity of Federal programs and operations is protected. It requires that the head of the agency provide an annual assurance statement whether the agency has met this requirement.

Appendix A of OMB Circular A-123 provides specific requirements for conducting management's assessment of internal control over financial reporting, and also requires the agency head to provide an assurance statement on the effectiveness of internal controls over financial reporting.

Federal Financial Management Improvement Act of 1996 (FFMIA)
FFMIA requires that agencies implement and maintain financial management systems that comply substantially with the Federal financial management system requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. The agency head is to make an annual determination whether the financial systems substantially comply with FFMIA.

Federal Managers' Financial Integrity Act

The Department of Labor's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). DOL conducted its assessment of the effectiveness of internal control over the efficiency and effectiveness of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, DOL can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2009, was operating effectively and no material weaknesses were found in the design or operation of the internal controls. DOL is also in conformance with Section 4 of FMFIA.

In addition, DOL conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, DOL can provide reasonable assurance that its internal control over financial reporting as of June 30, 2009, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are substantially in compliance with Federal financial management systems requirements, Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. All Department of Labor financial management systems substantially comply with FFMIA as of September 30, 2009.

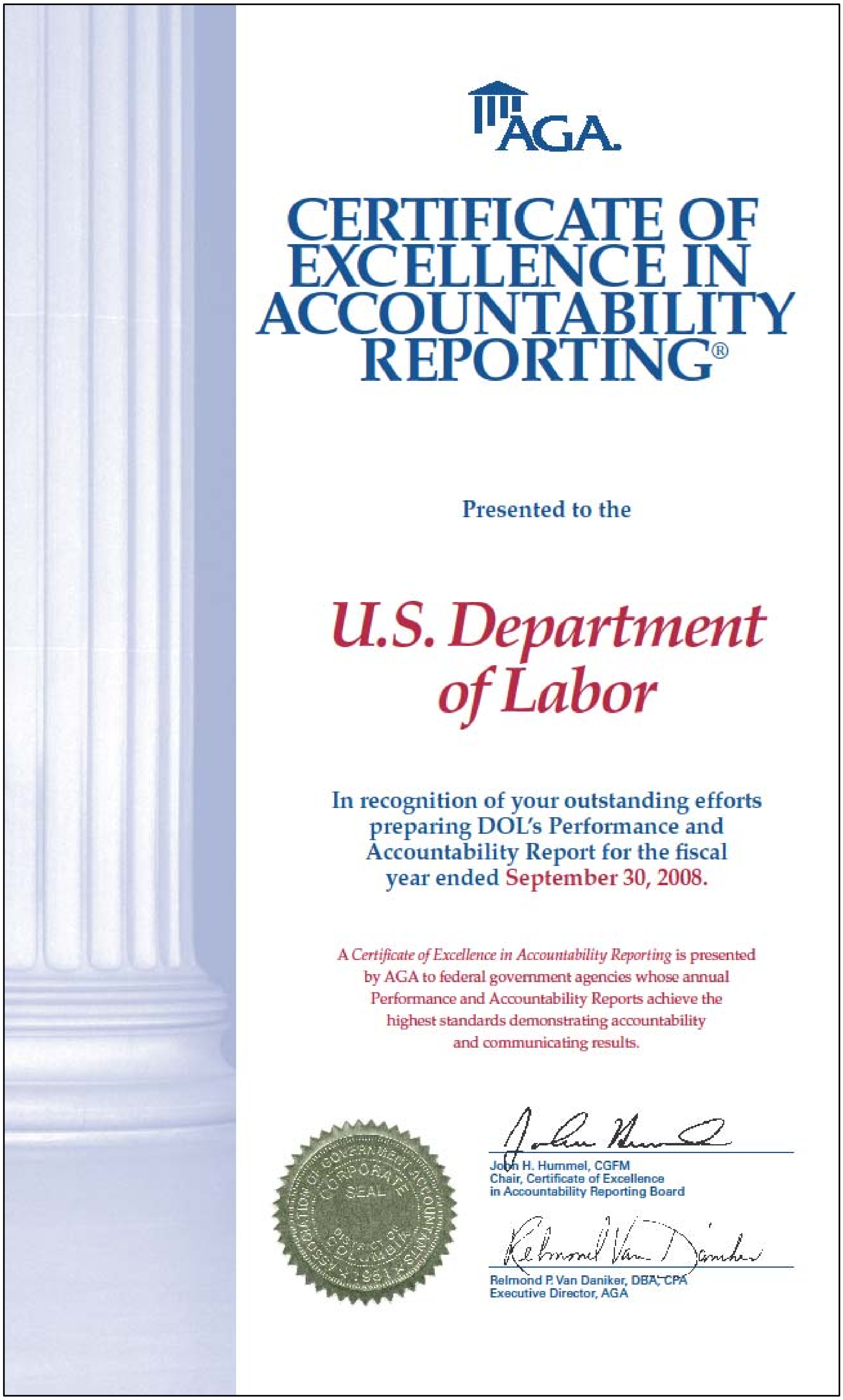
Hilda L. Solis
Secretary of Labor

Seth D. Harris
Deputy Secretary of Labor

Lisa D. Fiely
Acting Chief Financial Officer

T. Michael Kerr
Assistant Secretary for Administration and Management/Chief Information Officer

November 15, 2009



AGA

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In recognition of your outstanding efforts preparing DOL's Performance and Accountability Report for the fiscal year ended September 30, 2008.

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

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

Performance Section

Reporting Performance Results

The Performance Section of this report presents results at the Strategic Goal and Performance Goal levels. The four Strategic Goals established in our FY 2006-2011 Strategic Plan are general outcomes clearly linked to the Department's mission. Performance goals articulate more specific objectives associated with one or more programs administered by a distinct DOL agency. Progress in achieving these goals is measured by one or more quantifiable performance indicators, for which targets are established in the Performance Budget Overview which accompanies the Department's annual Congressional Budget Justification.

All performance targets in this report were finalized in DOL's FY 2010 budget. By the time DOL's FY 2010 budget was sent to Congress, the recession had already taken its toll on employment. Accordingly, PY 2008 and FY 2009 targets for most employment and training programs were adjusted (downward in each instance) from preliminary targets in DOL's FY 2009 budget using a statistical model that accounts for external factors, such as the increasing unemployment rate, lack of new jobs, and changes in individual demographics; all of which have larger implications for program outcomes during the recession.[11]

Each strategic goal section is introduced by performance highlights and a summary table of net costs. Complete results at the performance goal level are presented in separate narratives, each of which includes the following:

- **Performance Goal** statements appear at the top of the page, followed by unique identifiers that help organize reporting on results and net costs. The first two digits correspond to the funding (budget) period; e.g., "09" indicates goals reporting on a fiscal year and "08" those reporting on a program year. The single digit following the hyphen identifies the strategic goal and the letter distinguishes the performance goal from others in the same group (e.g., 09-1A). The agency acronym (e.g., BLS) is in parentheses.[12]

- **Indicators, Targets and Results** tables list each indicator, its targets and results for the reporting period and previous years that have data for the same indicators. Indicators that do not apply to the current year are not shown; however, a note indicates where additional historical performance information (legacy data) can be obtained. Where all data for any year are shown, goal achievement is indicated. Where "baseline" appears in the target cell for new indicators, no data were available for establishing a numerical target, and these data do not count towards goal achievement. If results improve over the prior year but do not reach the target, "I" appears in the target cell. Net cost associated with the goal and indicators is also provided.[13]

- **Program Perspectives and Logic** narratives describe the purpose of the program, how its activities are designed and managed to have a positive impact on the goal, how it measures success, and external factors that influence performance. Photos and vignettes communicate programs' impact at the personal level.

- **Analysis and Future Plans** tables identify what worked and what didn't work to improve results and describe strategies for improvement. Performance data at the indicator level and net cost at the goal level are displayed in charts where sufficient data are available to illustrate trends.

[11] This model was developed for ETA by an independent contractor using administrative data. Job Corps and VETS considered using the model. Job Corps did not adopt this model and is studying other options to adjust its targets in FY 2010. VETS did not adopt the model, either, for PY 2008 but made adjustments to its PY 2009 targets (reflected in the DOL FY 2010 budget) using additional factors that account for differences in historical outcomes for its veteran populations.
[12] FY 2009 covers October 1, 2008 to September 30, 2009; PY 2008 covers July 1, 2008 to June 30, 2009.
[13] Net cost for all strategic and performance goals for the last three years are provided in the DOL Program Performance and Net Costs section of the Program Performance Overview (Management's Discussion and Analysis).

- **Program Assessments, Evaluations and Audits** sections summarize Program Assessments and provide updated information on improvement plans. For relevant audits and evaluations completed during the fiscal year, tables summarize relevance, findings and recommendations, and actions.

- **Data Quality and Top Management Challenges** narratives discuss DOL's confidence in the performance information reported for the goal's measures and address management challenges that may have significant implications for achievement of program performance goals.

Data Quality

This report is published six weeks after the end of the fiscal year. Since the Department uses a wide variety of performance data submitted by diverse systems and governed by agreements with State agencies and grant recipients, it is not possible in all cases to report complete data for the reporting period. The Department requires each agency responsible for performance goals in this report to submit a Data Estimation Plan in February that identifies, for each indicator, whether complete data are expected by the deadline for final review of the report in early October. If the data will not be available by then, the agencies must submit an acceptable plan to estimate results for the remainder of the year. Methodologies developed by agencies' program analysts are reviewed by the Department's Center for Program Planning and Results and the independent Office of Inspector General (OIG). The most common methods are substitution or extrapolation of two or three quarters of data and – for data with significant seasonal variation – use of the missing period's results from the previous year. Estimates are clearly identified wherever they are used in this report. With very few exceptions, final (actual) data are available by the end of the calendar year; these data will be reported in the FY 2011 President's Budget and the FY 2010 Performance and Accountability Report.

As required by OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, the Secretary's Message includes a statement on program performance data quality. Significant limitations, which are noted if applicable to any given report, are defined in this context as data that are insufficient to permit determination of goal achievement. This is an uncommon occurrence, as most DOL performance goals have sufficient indicators and historical data to allow reasonable estimation of results.

The Department's Data Quality Assessments systematically evaluate data systems using widely accepted criteria to improve the quality of performance information reported to the public. Designed to encompass more than the mechanics of data collection, the assessments also question the value of information collected and the extent to which it provides evidence of goal achievement. Increasing the transparency of data quality provides benchmarks for monitoring progress and stimulating change. Agency heads are held accountable by a requirement that they sign attestations to the data quality assessment for each of their agency's performance goals in this report. One of the most important outcomes of this process, aside from increasing the transparency of performance information reported in the PAR, is encouraging the development of plans to either maintain or improve data quality.

In 2006, DOL conducted baseline assessments of data for all performance goals. For each of the following years, agencies have updated these assessments based on changes to their data quality systems or procedures, new information from independent studies released during the fiscal year, or changes to their performance indicators. Agencies seeking an upgrade must provide evidence demonstrating how a data quality criterion was satisfied. By contrast, agencies must also defend their rating if evidence has emerged suggesting a criterion is not being met. The rating system includes seven criteria, of which two – accuracy and relevance – are weighted twice as much as others (see box on the following page). If data do not satisfy the standards for both of these criteria, the rating is *Data Quality Not Determined*. This reflects the DOL policy that further assessments of quality are irrelevant if the information is not reasonably correct or worthwhile.

Data Quality Rating System

Both bulleted descriptions under a criterion must be satisfied to receive points. *No partial credit is awarded*. The rating scale reflects 20 points for Section One "threshold" criteria plus additional points earned in Section Two. Data that do not satisfy both criteria presented in Section One are given the rating *Data Quality Not Determined* – regardless of the points achieved in Section Two. This rating indicates the agency is unable to assess data quality because it does not meet a minimum threshold.

<u>Section One: 20 points</u>

Accurate Data are correct. (10 points)
- Deviations can be anticipated or explained.
- Errors are within an acceptable margin.

Relevant Data are worth collecting and reporting. (10 points)
- Data can be linked to program purpose to an extent they are representative of overall performance.
- The data represent a significant budget activity or policy objective.

<u>Section Two: 25 points</u>

Complete Data should cover the performance period and all operating units or areas. (5 points)
- If collection lags prevent reporting full-year data, a reasonably accurate estimation method is in place for planning and reporting purposes.
- Data do not contain any significant gaps resulting from missing data.

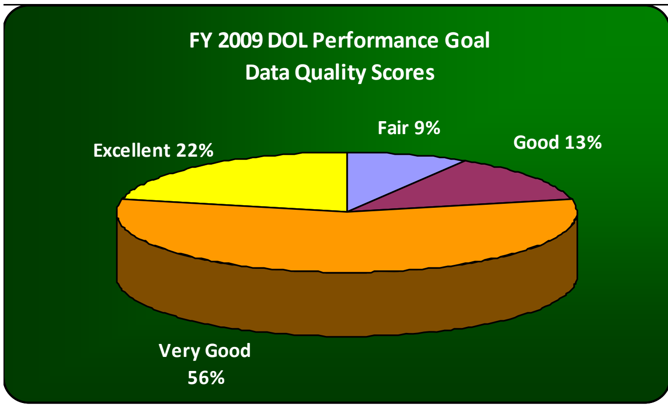
Reliable Data are dependable. (5 points)
- Trends are meaningful; i.e., data are comparable from year-to-year.
- Sources employ consistent methods of data collection and reporting and uniform definitions across reporting units and over time.

Timely Data are available at regular intervals during the performance period. (5 points)
- The expectation is that data are reported quarterly.
- Data are current enough to be useful in decision-making and program management.

Valid Data measure the program's effectiveness. (5 points)
- The data indicate whether the agency is producing the desired result.
- The data allow the agency and the public to draw conclusions about program performance.

Verifiable Data quality is routinely monitored. (5 points)
- Quality controls are used to determine whether the data are measured and reported correctly.
- Quality controls are integrated into data collection systems.

Rating	Points
Excellent	45
Very Good	40
Good	30-35
Fair	25
Unsatisfactory	20
Data Quality Not Determined	Varied



After four years, DOL data quality continues to improve, but significant challenges remain. Data for 78 percent of performance goals are rated *Very Good* or *Excellent*. Thirteen percent of the goals fell into the middle category (*Good*). No performance goals were rated *Unsatisfactory*, nor were any rated *Data Quality Not Determined* (*DQND*) due to fundamental problems with accuracy and relevance. Three performance goals improved their rating; in each case, the upgrade demonstrates concentration on specific issues within their data systems. Two goals moved from *Good* to *Very Good.* Building upon momentum from FY 2008, ETA's Senior Community Service Employment Program (SCSEP) successfully addressed issues related to the reliability of data from year-to-year by implementing enhanced data checks, including careful monitoring of deviations in data over time. ESA's Office of Labor-Management Standards (OLMS) took advantage of a change in performance indicators to address timeliness and reliability issues. Data for the new performance measures is generated by the agency database which provides routine reports for agency management. Finally, Job Corps demonstrated that all criteria were met, earning an upgrade to *Excellent.* Job Corps targeted issues related to the verifiability of their data by implementing various quality control procedures throughout the data collection process.

Data Quality Criteria Met	Percent of Performance Goals
Verifiable	43%
Valid	74%
Reliable	83%
Timely	83%
Complete	83%
Accurate	100%
Relevant	100%

At the Departmental level, certain criteria are met more frequently than others. All DOL performance goals now satisfy the threshold criteria of accurate and relevant. Over three-quarters of performance goals are supported by data that are valid, timely, reliable, and complete. As indicated in the adjacent table, the clear challenge for many performance goals is the ability to verify the data. Less than half of all performance goals have data quality controls in place that routinely monitor data and are fully integrated into the data collection system. Verifiability is a predominate issue largely as a result of ETA's numerous grant programs and its challenges monitoring and enforcing standards among grantees' diverse data systems. The percent of performance goals with reliable data increased from last year due to the upgrade for SCSEP. Though still met by 17 of 23 goals, valid replaced reliable in FY 2009 as the second greatest opportunity for improvement. Goals not meeting this criterion are supported by one or more performance indicators that are not considered the most representative measure of whether the agency is achieving its desired results. As DOL embarks on a comprehensive revision of its strategic plan in FY 2010, agencies will consider data quality issues as they reexamine goals and indicators.

In FY 2009, in addition to the agencies' self-assessments, the Department underwent an independent evaluation of its data quality assessment process, including a review of data quality for two selected performance goals. The evaluation found the data assessment process has established a solid foundation for assessing and improving DOL performance data quality. Because criteria and definitions for performance data quality vary across the Federal government, it was difficult to determine the accuracy of CPPR ratings, overall. However, the study did analyze the individual criteria via comparisons to those of other data quality systems. It also examined data systems for the Workforce Investment Act Adult and Job Corps programs, which validated various findings of the broader assessment process. For example, in each case, the study found that systematically mapping data sources promotes comparisons to other programs and clarifies the relevance of data quality findings in external reports. Recommendations aimed to strengthen the assessment process so that the PAR will continue to promote strategic, transparent improvements to data quality. DOL will continue to examine data quality issues through a second year continuation of the study. DOL will also use the strategic planning process, which is underway in FY 2010, as an opportunity to implement recommendations along with development of new performance goals and indicators.

Strategic Goal 1: *A Prepared Workforce*

Develop a prepared workforce by providing effective training and support services to new and incumbent workers and supplying high-quality information on the economy and labor market.

America's greatest resource is its skilled workforce. A steady stream of workers who possess skills required by today's employers is essential to fuel the Nation's economy. To expand the size and capabilities of the labor pool, DOL provides comprehensive training programs that focus on specific occupational skills while taking into account job seekers' circumstances. The Department also produces labor statistics that individuals and businesses can use to better understand the job market and the economy. DOL agencies and offices supporting this goal are:

- Bureau of Labor Statistics (BLS),
- Office of Job Corps (OJC),
- Employment and Training Administration (ETA),
- Veterans' Employment and Training Service (VETS), and
- Women's Bureau

A prepared workforce has the skills and education that employers demand. Education – from literacy to vocational training – plays a fundamental role in preparing workers for life-long employment. DOL programs tailor training to the unique needs of individuals who face exceptional barriers to successful employment, such as low-income youth and homeless veterans. Here are a few highlights of program outcomes for FY 2009:

For Youth

- Job Corps students' credentials attainment rate and literacy/numeracy gains improved by two percent and five percent, respectively, over the past year.
- Workforce Investment Act (WIA) Youth program participants' placement in employment, post-secondary education or advanced occupational training improved by five percentage points, and literacy/numeracy gains improved by almost nine percentage points, compared to the previous year.

For Workers in the Trades

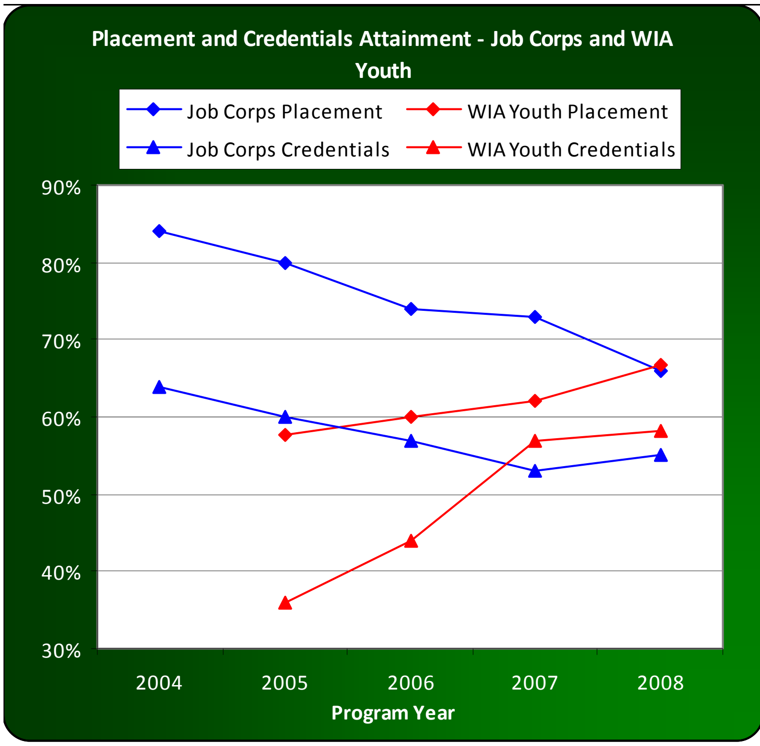
- Eighty-seven percent of workers completing apprenticeship programs remained employed for at least six months, and their average wages continued to rise.

For Veterans

- Entered employment and employment retention rates for all veterans served by One-Stop Career Centers fell by 3.8 and 1.2 percentage points, respectively.

For more specific information, see the Performance Goal narratives.

When Mercedes enrolled at the Wolf Creek Job Corps Center a few years ago, she was working two entry-level, low-paying jobs and had no immediate plans for the future. She graduated from Wolf Creek after completing her career technical training in construction craft labor and earning her GED. Her goal of employment as a Construction Craft Laborer for the Laborers' International Union of North America was clearly within reach. Shortly after graduating, Mercedes started work as a laborer and pre-apprentice on a bridge rehabilitation project in Winchester, Oregon earning $15.50 an hour. She assists with preparing and stabilizing the bridge using a thirty-five pound concrete drill. Her daily commute to the job site includes climbing eight flights of scaffolding and walking across metal beams suspended by cables attached to the main bridge. She loves her job and the crew she works with. Without the Job Corps program, Mercedes does not believe she would have had the skills needed to succeed. Photo credit: Tracy Placido



Job Corps and the WIA Youth program both utilize the Federal job training program common measures for youth.[14] These measures reflect shared outcome goals and facilitate comparison for management purposes. The adjacent chart provides placement and credentials attainment results to date for both programs. Although both programs target out-of-school and at-risk youth, results may continue to differ because one is primarily a longer-term residential program, while the other provides services to youth in their communities. Also, they have followed different common measures implementation trajectories. For more detailed discussion, see each program's performance goal narrative in the pages that follow.

The table below provides net costs for all performance goals and indicators associated with this strategic goal.[15] Those with labels that begin with "08" operate on a Program Year (PY) basis, and are reporting on the period from July 1, 2008 to June 30, 2009 due to the forward funding authorized in the Workforce Investment Act of 1998.

Goal or Indicator	Net Costs ($Millions)[16]		
	FY 2007 PY 2006	FY 2008 PY 2007	FY 2009 PY 2008
Strategic Goal 1: *A Prepared Workforce*	**$3,267**	**$3,464**	**$3,687**
Performance Goal 09-1A (BLS) Improve information available to decision-makers on labor market conditions, and price and productivity changes.	574	574	589
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for labor force statistics	*268*	*276*	*278*
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for prices and living conditions	*198*	*192*	*198*
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for compensation and working conditions	*95*	*92*	*96*

[14] The three measures, also referred to as placement, credential attainment and literacy/numeracy, are: Percent of participants entering employment or enrolling in post-secondary education or advanced training/occupational skills training in the first quarter after exit; Percent of students who attain a GED, high school diploma or certificate by the end of the third quarter after exit; and Percent of students who will achieve literacy or numeracy gains of one Adult Basic Education (ABE) level (approximately equivalent to two grade levels).

[15] Rows labeled "Dollars not associated with indicators" indicate costs that cannot be associated with the current set of performance indicators. For some goals, indicator costs are intentionally combined by merging cells because program activities are not separable into categories associated with one or another of them (e.g., job training program common measures – entered employment, employment retention and average earnings).

[16] *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 DOL and by other Federal agencies. Sums may not equal higher level totals due to rounding.

Percent of output, timeliness, accuracy, and long-term improvement targets achieved for productivity and technology	*12*	*13*	*13*
Customer satisfaction with BLS products and services (e.g., the American Customer Satisfaction Index)	*0*	*0*	*3*
Cost per transaction of the Internet Data Collection Facility	*1*	*1*	*1*
Performance Goal 08-1B (Job Corps) Improve educational achievements of Job Corps students and increase participation of Job Corps graduates in employment and education.	1,485	1,589	1,640
Percent of participants entering employment or enrolling in post-secondary education or advanced training/occupational skills training in the first quarter after exit	*1,485*	*1,589*	*1,640*
Percent of students who attain a GED, high school diploma or certificate by the end of the third quarter after exit			
Percent of students who achieve literacy or numeracy gains of one Adult Basic Education (ABE) level			
Performance Goal 08-1C (WIA Youth) Increase placements and educational attainments for youth served through the WIA youth program.	866	966	1,125
Percent of youth who enter employment or the military or enroll in post secondary education and/or advanced training/occupational skills training in the first quarter after exit	*866*	*966*	*1,125*
Percent of students who attain a GED, high school diploma, or certificate by the end of the third quarter after exit			
Percent of students who achieve literacy or numeracy gains of one Adult Basic Education (ABE) level			
Performance Goal 09-1D (Apprenticeship) Improve the registered apprenticeship system to meet the training needs of business and workers in the 21st Century.	24	25	25
Percent of those employed nine months after registration as an apprentice	*24*	*25*	*25*
Average hourly wage gain for tracked entrants employed in the first quarter after registration and still employed nine months later			
Percent of participants employed in the first quarter after exit	*–*	*–*	
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit	*–*	*–*	
Average earnings in the second and third quarters after exit (six months' earnings)	*–*	*–*	
Performance Goal 08-1E (VETS Employment Services) Improve the employment outcomes for veterans who receive One-Stop Career Center services	181	190	219
Percent of Veteran participants employed in the first quarter after exit	*90*	*93*	*109*
Percent of Veteran participants employed in the first quarter after program exit still employed in the second and third quarters after exit			
Percent of Disabled Veteran participants employed in the first quarter after exit	*90*	*95*	*109*
Percent of Disabled Veteran participants employed in the first quarter after exit still employed in the second and third quarters after exit			
Dollars not associated with indicators	*2*	*2*	*2*
Other (Youth Offender Reintegration, Indian and Native American Youth Programs, Homeless Veterans' Reintegration Program, etc.)	136	120	88

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

Performance Goal 09-1A (BLS)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2006 Goal Not Achieved	FY 2007 Goal Achieved	FY 2008 Goal Not Achieved	**FY 2009 Goal Achieved**
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for labor force statistics	Target	85%	80%	92%	**88%**
	Result	79%	92%	86%	**92%**
	*	N	Y	N	**Y**
	Cost	—	$268	$276	**$278**
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for prices and living conditions	Target	85%	90%	90%	**92%**
	Result	94%	90%	92%	**92%**
	*	Y	Y	Y	**Y**
	Cost	—	$198	$192	**$198**
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for compensation and working conditions	Target	85%	86%	96%	**96%**
	Result	77%	96%	96%	**100%**
	*	N	Y	Y	**Y**
	Cost	—	$95	$92	**$96**
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for productivity and technology	Target	85%	86%	100%	**86%**
	Result	100%	100%	71%	**100%**
	*	Y	Y	N	**Y**
	Cost	—	$12	$13	**$13**
Customer satisfaction with BLS products and services per the American Customer Satisfaction Index	Target	75%	79%	79%	**82%**
	Result	79%	79%	82%	**82%**
	*	Y	Y	Y	**Y**
	Cost	—	$0	$0	**$3**
Cost per transaction of the Internet Data Collection Facility	Target	$2.58	$1.79	$1.11	**$0.74**
	Result	$1.82	$1.12	$0.76	**$0.56**
	*	Y	Y	Y	**Y**
	Cost	—	$1	$1	**$1**
Goal Net Cost (millions)		$573	$574	$574	**$589**

Source(s): Budget submissions and internal BLS management meeting structure documents and American Customer Satisfaction Index Annual Report on Federal government scores.

Note: *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 DOL and by other Federal agencies.

Program Perspective and Logic

The Bureau of Labor Statistics (BLS) is the principal fact-finding agency in the Federal government in the broad field of labor economics. As an independent national statistical agency within the Department of Labor, BLS collects, processes, analyzes, and releases essential statistical data to the American public, the U.S. Congress, other Federal agencies, State and local governments, business, and labor. BLS provides information that supports the formulation of economic and social policy and decisions that affect virtually all Americans.

BLS reports performance for this goal by aggregating underlying measures of output, timeliness, accuracy, and long-term improvement for its statistical programs into four comprehensive performance indicators associated with Labor Force Statistics, Prices and Living Conditions, Compensation and Working Conditions, and Productivity and Technology. Over 100 performance and workload measurements make up these four performance indicators. Information on the underlying performance and workload measures is available on the BLS website at http://www.bls.gov/bls/dwpt2010.pdf.

Duncan is a director of an $8 billion chemical company with operations in more than 40 countries. His company supplies products for generating power, manufacturing commercial and industrial products, and conducting scientific research. Duncan incorporates automatic price adjustment clauses in his contracts that use inflation data from the BLS Consumer Price Index (CPI) and Producer Price Index (PPI). This provides a fair and objective means of setting prices; gives suppliers an incentive to become more efficient, since the price they receive for their goods or services is preset; allows for better cost planning by reducing the uncertainty associated with day-to-day market fluctuations; and reduces the administrative costs associated with having to frequently renegotiate contracts. Photo credit: DOL/BLS

The underlying performance measures encompass enhancements to BLS products. Examples include publication, for the first time, of employment information on people with disabilities (Labor Force Statistics indicator); publication of a new group of indexes that track price changes for specific services, regardless of the services' industry of origin (Prices and Living Conditions indicator); production of national estimates of workplace injuries and illness incurred by State and local government workers (Compensation and Working Conditions indicator); and expansion of industries covered by labor productivity measures (Productivity and Technology indicator).

BLS measures customer satisfaction with its *Occupational Outlook Handbook* (*OOH*) Web page (www.bls.gov/OCO/), a nationally recognized source of career information. BLS also reports on the efficiency of its Internet Data Collection Facility (IDCF), a single, secure architecture that BLS surveys use to collect information from respondents online. IDCF offers a wider range of reporting options to respondents and a more economical means of data collection.

Analysis and Future Plans

BLS reached the targets for all six of its performance indicators, achieving its performance goal and equaling or exceeding the 2008 results for all of its indicators. BLS reached 92 percent of the underlying targets for its labor force statistics indicator, compared to 86 percent in FY 2008. For its prices and living conditions indicator, BLS reached 92 percent of its underlying targets – unchanged from FY 2008. BLS reached 100 percent of its underlying targets for both the compensation and working conditions and productivity and technology indicators, compared to the performance of 96 percent and 71 percent respectively in FY 2008. BLS received a customer satisfaction score of 82 percent, which is the same score received in FY 2008.

Indicator	*	What worked	What didn't work
Labor force statistics	Y	• In late 2008, identified 2009 projects that were critical to the BLS mission. Prepared detailed documentation and workplans to help keep projects on schedule, which helped ensure that targets were met. • Held regular meetings between	• Labor force statistics: Missed an output target in the Current Employment Statistics program due to a decline in several industry sectors. BLS eliminated series that no longer could be released due to confidentiality issues. • Labor force statistics: Missed a workload target in the Quarterly Census of Employment and Wages due to slower than projected business
Prices and living conditions	Y		
Compensation and working conditions	Y		

Productivity and technology	Y	senior management and statistical program offices to monitor progress on mission-critical projects and other goals. Ensured potential concerns were brought to the attention of senior management before they developed into significant problems.	growth. • Prices and living conditions: Missed a workload target in the Consumer Expenditure surveys due to below average response rates. Although the target was not reached, in later months, BLS increased the response rates by improving the sampling process. • Prices and living conditions: Missed a workload target in the International Price Program (IPP). Also missed an accuracy target in IPP due to the volatility of petroleum data.
Customer satisfaction	Y	• Completed a comprehensive website redesign in late 2008.	
IDCF efficiency	Y	• Expanded usage of IDCF, which decreased cost per transaction.	
Program Performance Improvement Plan			
• BLS will continue to improve its statistical products by analyzing and evaluating new economic survey methods, new technologies, and new survey design and collection approaches. • BLS will better inform the public by increasing customer awareness of data products, and using feedback from data users to determine how the data or data dissemination methods could be changed to better serve the American public. • Further expand use of the IDCF to further improve the data collection process and enhance the quality of data produced.			

*Target reached (Y), improved (I), or not reached (N)

Net costs for BLS activities rose three percent from FY 2008-2009 due to budgeted increases in personnel compensation and benefits costs.

In 2010, BLS' activities will provide statistical data needed by policymakers in support of the following outcome goals in the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality;*
- *Securing safe and healthy workplaces, particularly in high-risk industries;*
- *Securing wages and overtime;*
- *Assuring skills and knowledge that prepare workers to succeed in a knowledge-based economy, including in high-growth and emerging industry sectors like "green" jobs;*
- *Improving health benefits and retirement security for all workers;*
- *Providing workplace flexibility for family and personal care-giving; and*
- *Voice in the workplace.*

Q&A Q: Who does BLS count as unemployed?
A: Persons are classified as unemployed if they do not have a job, have actively looked for work in the prior four weeks, and are currently available for work. Workers expecting to be recalled from layoff are counted as unemployed, whether or not they have engaged in a specific jobseeking activity. In all other cases, the individual must have been engaged in at least one active job search activity in the four weeks preceding the interview and be available for work (except for temporary illness).

Program Assessments, Evaluations and Audits

Findings and recommendations from an assessment of the Bureau of Labor Statistics prompted specific actions to improve performance. Here is a summary of progress in 2009:

- *Conducting an independent evaluation on how the agency is improving its effectiveness in meeting the needs of its data users.* The scope of the evaluation will be the National

Q&A Q: Is the count of unemployed persons limited to just those people receiving unemployment insurance benefits?
A: No; the estimate of unemployment is based on a monthly sample survey of households. All persons without jobs who are actively seeking and available to work are included among the unemployed. There is no requirement or question relating to unemployment insurance benefits in the monthly survey.

Longitudinal Surveys program. BLS will be working with the Committee on National Statistics, an independent agency with a reputation for credibility and professionalism, to prepare for the evaluation.

- *Developing additional efficiency and cost-effectiveness measures to demonstrate ongoing program improvement.* BLS continues to report on its cost per transaction of the IDCF. In 2010, BLS will update the efficiency measure to reduce the cost per housing unit initiated in the Consumer Price Index (CPI) as part of an initiative to implement a more representative and current sample of geographic areas, as well as a continuously updated housing sample, in the CPI. Also, BLS is reporting on an efficiency measure to produce more American Time Use Survey estimates without commensurate increases in cost.
- *Establishing more ambitious targets for its long term and annual performance measures to drive continued improvement.* In 2008 and again in 2009, BLS raised the targets for several of its performance indicators.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10000326.2003.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

"Strengthening Formal Written Procedures May Decrease the Possibility of Inconsistencies Occurring in Survey of Occupational Injuries and Illnesses Data Releases," March 2009 (Office of Inspector General)	
Relevance: The Office of Inspector General (OIG) conducted this performance audit to determine if the BLS Survey of Occupational Injuries and Illnesses (SOII) complied with Federal standards for development and data collection.	
Findings and Recommendations: • While BLS implemented OMB's 2006 Standards and Guidelines for Statistical Surveys related to its SOII development and data collection, its formal written policies and procedures did not fully incorporate all of the OMB requirements.	***Next Steps:*** • The SOII program will enhance formal documentation and develop a centralized source of information that identifies how SOII design and/or procedures meet each of the OMB statistical standards.
Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2009/02-09-201-11-001.pdf.	
"Customer Satisfaction with the BLS *Occupational Outlook Handbook (OOH)* Website," September 2009 (Federal Consulting Group)	
Relevance: As BLS continues to provide more information to customers on its Web site, it is important to know how satisfied customers are with the delivery of BLS products and services. Improvements to the *OOH* portion of the BLS Web site in areas such as search or navigation can increase the usefulness of the Web site to BLS customers.	
Findings and Recommendations: • BLS received a customer satisfaction score of 82 percent for 2009.	***Next Steps:*** • Information from the *OOH* customer satisfaction survey, as well as other customer feedback is being used to develop a new and improved online *OOH* by enhancing its content and presentation. The goal is to release the new online product in 2012.
Additional Information: Please contact BLS Quality Management Staff at 202-691-7755.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Excellent*.[17] BLS has instituted rigorous, systematic, and comprehensive controls to ensure that the data quality retains its *Excellent* rating. The BLS executive team meets with program management throughout the year to discuss progress on mission-critical projects, long-term planning, and other significant issues. BLS also conducts its own program reviews and contracts for external reviews, as necessary. These assessments ensure that survey data are accurate, reliable, and released in a timely fashion; systems and procedures are documented adequately; program performance meets or exceeds standards; and pre-release data are kept confidential.

Q&A Q: Does the official unemployment rate exclude people who have stopped looking for work?
A: Yes; however, there are separate estimates of persons outside the labor force who want a job, including those who have stopped looking because they believe no jobs are available (discouraged workers). In addition, alternative measures of labor underutilization (discouraged workers and other groups not officially counted as unemployed) are published each month in the *Employment Situation* news release.

[17] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

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

Performance Goal 08-1B (OJC)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		PY 2004 Goal Not Achieved	PY 2005 Goal Not Achieved	PY 2006 Goal Not Achieved	PY 2007 Goal Not Achieved	**PY 2008 Goal Not Achieved**
Percent of participants entering employment or enrolling in post-secondary education or advanced training/occupational skills training in the first quarter after exit	Target	85%	85%	87%	82%	**74%**
	Result	84%	80%	74%	73%	**66%**
	*	N	N	N	N	**N**
Percent of students who attain a GED, high school diploma or certificate by the end of the third quarter after exit	Target	64%	64%	65%	64%	**54%**
	Result	64%	60%	57%	53%	**55%**
	*	Y	N	N	N	**Y**
Percent of students who will achieve literacy or numeracy gains of one Adult Basic Education (ABE) level (approximately equivalent to two grade levels)	Target	45%	45%	58%	58%	**54%**
	Result	47%	58%	58%	53%	**58%**
	*	Y	Y	Y	N	**Y**
Goal Net Cost (millions)		$1,309	$1,402	$1,485	$1,589	**$1,640**

Source(s): Job Corps Management Information System.

Legacy Data: Some indicators not shown for PY 2004. Complete indicators, targets and results for PY 2004 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 05-1.1B.

Note: *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 DOL and by other Federal agencies. Costs are not allocated to the indicator level for placement, credential and literacy/numeracy measures because program activities are not separable into categories associated with one or another. "Participants" in the first measure above includes graduates and former enrollees, but not "uncommitted" – which are those students in the program for less than 60 days or who exit because of the zero tolerance policy.

Program Perspective and Logic

Job Corps is an intensive educational and vocational training program (primarily residential) for economically disadvantaged youth ages 16 through 24 who often face multiple barriers to gainful employment. This program provides career counseling, technical skills and academic training, social education, and other support services, such as housing, transportation and family support resources to more than 60,000 individuals at 122 centers nationwide. Job Corps centers, ranging in size from 200 to 2,000 students, are located in both urban and rural communities. Job Corps centers provide individually-tailored services to help students achieve the skills and credentials required to be successful, productive citizens and to obtain work opportunities that lead to long-term employment.

In recent years, an increasingly knowledge-based labor market has challenged Job Corps to revise its training strategies. In response, Job Corps developed and implemented a training strategy that focuses on applied knowledge by increasing the rigor and relevance of academic and career technical training; incorporating industry-based standards and certifications; reinforcing a standards-based curriculum approach; and providing a more comprehensive system of on-center and post-center support services. Industry-based standards, as used in this report, refer to worker performance specifications that have been developed or are being developed by business and industry-based organizations in partnership with Job Corps. These standards define a facet of student performance that is measurable and built on the skills learned as students' progress through the educational system and into the workplace. Job Corps then works to develop curricula based on these standards. This strategy is providing students with valuable credentials and competitive skills they need to pursue promising careers – especially in a period of rising national youth unemployment rates. Performance of the Job Corps program is assessed using the Federal job training program common measures for youth – placement in employment or education, attainment of a degree or certificate, and literacy or numeracy gains – as indicators of student achievement in improving their long-term employability.

Recovery Act

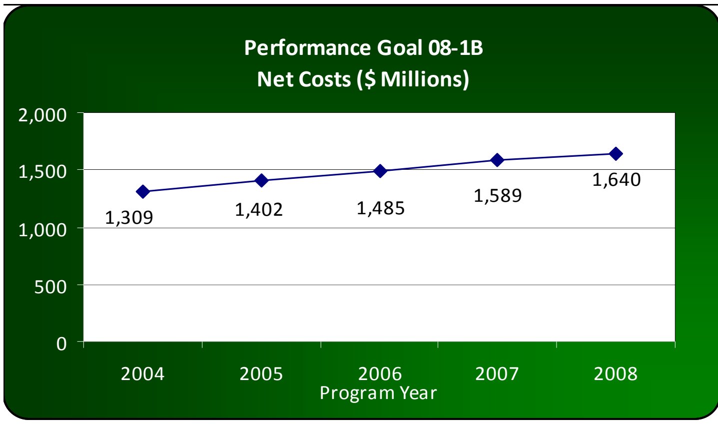
The Recovery Act provided Job Corps with $250 million; close to 85 percent or $211.6 million of this funding will be invested in construction, rehabilitation and acquisition of Job Corps centers. To date, Job Corps has awarded over 50 percent (totaling approximately $118 million) of its construction contracts; as a result of these awards construction work will be performed in 29 states and Puerto Rico. Approximately $10 million of the funds will be used to incorporate green technologies and training into Job Corps' career technical training programs. For more information, see http://www.recovery.gov/?q=content/program-plan&program_id=7714.

Analysis and Future Plans

Job Corps did not achieve its performance goal for PY 2008. Placement of Job Corps graduates and former enrollees in employment, the military or post-secondary education continued to mirror the national employment picture; the placement result was eight points below the 74 percent target. Certificate attainment outcomes, however, reversed a three-year decline and literacy/numeracy gains rose five points. It appears that the strategic focus on academics had a positive impact.

Indicator	*	What worked	What didn't work
Placement in employment or education	N	• Placement of Job Corps students into post-secondary education or advanced skill training rose from 11 percent in PY 2007 to 14 percent in PY 2008.	• In many areas of the country, the local economic situation made placement in the workforce more difficult. Although the overall placement rate fell from 73 percent to 66 percent in PY 2007-2008, initial wages increased slightly.
Attainment of a degree or certificate	Y	• Utilization of quality on-line High School Diploma programs and well- established local partnerships contributed to the increase in credential attainment rates.	• Increases in career technical training completions were limited due to the introduction of comprehensive curriculum revisions over the past two years.
Literacy or numeracy gains	Y	• The results show that special programs such as STARS (Speakers, Tutors, Achievement, Retention and Success) and after-hours tutoring programs had a positive impact on student literacy and numeracy.	• Initial impact from online administration of the Test of Adult Basic Education (TABE) seems to have leveled out.
Program Performance Improvement Plan			
• To improve employment and earning outcomes, Job Corps is aligning career technical training with industry-based standards and standards-based instruction (organized around industry clusters). Each Region will measure the effectiveness of these program enhancements; final evaluations are expected by September 2010. • To better serve the Hispanic community, all Job Corps centers have implemented the English Language Learner's (ELL) Program for students with Limited English Proficiency to ensure meaningful access to and participation in the program. Job Corps is evaluating various English Language Assessment tools and related curricula to ensure ELL students are identified correctly and placed into appropriate ELL courses. Job Corps' current policies regarding ELL students will be revised by June 2010. • In PY 2009, Job Corps is working closely with the Departments of Education, Health and Human Services, and Agriculture, to provide training and career pathways in high-growth and emerging industry sectors. Linkages will also be expanded with community colleges, registered apprenticeship programs and workforce investment boards.			

*Target reached (Y), improved (I), or not reached (N)



Job Corps net cost increased by 3 percent from PY 2007-2008 due to higher administrative expenses, such as salaries and benefits, and due to a general inflation increase to center, outreach, admission, and career tranisition services operating contracts.

In 2010, Job Corps' activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality;*
- *Assuring skills and knowledge that prepare workers to succeed in a knowledge-based economy, including in high-growth and emerging industry sectors like "green" jobs; and*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs.*

Program Assessments, Evaluations and Audits

Findings and recommendations from a Job Corps program assessment completed in 2007 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Exploring opportunities to improve cost effectiveness and performance outcomes at the 28 non-DOL owned properties which are operated for Job Corps by the Departments of Agriculture and Interior.* In June 2008, Job Corps contracted with an outside accounting firm to audit internal agency procedures for the management of Job Corps funds; the final report was received in March 2009 and Job Corps is addressing the report recommendations. Job Corps continues to reconcile discrepancies in agency material accrual methods; as a result, the Department of Interior (DOI) is fully compliant with reporting and Job Corps is compliant with oversight requirements. Job Corps has requested additional information from the Department of Agriculture (USDA) to facilitate final reconciliation.
- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs*. Job Corps will continue to examine additional alternatives for reporting efficiency measures that are linked to performance outcomes and account for all costs.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10002372.2007.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

"Job Corps' Reported Performance Measures Did Not Comply With All Legislative Reporting Requirements," March 2009 (Office of Inspector General)	
Relevance: The Office of Inspector General (OIG) conducted this performance audit to determine if Job Corps' reported performance measures comply with all legislative reporting requirements.	
Findings and Recommendations: • Job Corps did not fully comply with Workforce Investment Act reporting requirements. Although Job Corps collected the necessary data, OIG found that the agency did not submit to Congress the WIA-required annual reports that include performance results for each Job Corps center. • OIG found that Job Corps did not fully comply with the Office of Management and Budget's reporting	***Actions:*** • Job Corps will comply with the WIA requirement to submit an annual report to Congress. • Job Corps will work with OMB to ensure that participant placement reporting complies with OMB common measure requirements.

requirements of job placement outcomes for all students who left the program. Job Corps only reports placement outcomes for graduates and former enrollees.	
Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2009/04-09-003-01-370.pdf.	
"Better Targeted Career Training and Improved Pre-Enrollment Information Could Enhance Female Residential Student Recruitment and Retention," June 2009 (GAO)	
Relevance: The Government Accountability Office (GAO) conducted this audit to review the extent to which Job Corps centers are operating at or near capacity for residential students, particularly female residential students.	
Findings and Recommendations:	***Actions:***
• Because much of the program's costs are fixed, GAO concluded that program efficiency is compromised when Job Corps centers operate under capacity – and represents a missed opportunity to train students who might benefit from the program. While the program nearly achieves its planned enrollment for males, it is struggling to meet female enrollment targets.	• Job Corps acknowledged the need to offer career training programs to increase female enrollment. However, Job Corps noted that in selecting new offerings, it routinely looks beyond occupations traditionally dominated by females as they seek to maximize opportunities that may result in long-term self-sufficiency. GAO concurs but continues to recommend a more systematic assessment of career training curricula, particularly at centers with low female enrollment.
• Officials at all levels of Job Corps affirmed the need for students to have, prior to enrolling in the program, a clear understanding of what it would be like to live and train at a center. GAO believes that absent additional steps, Job Corps will likely continue to face difficulty in recruiting and retaining students, particularly female students.	• To increase recruitment and retention of students, Job Corps is producing a number of resources that provide an overview of the program and highlight information about individual centers. Also, Job Corps has established new Outreach and Admission performance-based service contracting procedures, created new recruitment materials, and launched a new recruitment Web site.
Additional Information: The report is available at http://www.gao.gov/new.items/d09470.pdf.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Excellent*.[18] When the OIG cited insufficient management controls over performance data in 2004, DOL designed and implemented new data integrity procedures that require regional offices to utilize targeted samples (highlighting where error or manipulation may have occurred) for audit reviews conducted in conjunction with on-site assessments. When Regional Offices find that Center operators have not complied with contractual obligations, liquidated damages are identified and assessed. Since 2004, $731,904 in liquidated damages has been recovered. The Office of Job Corps is confident that the new data integrity strategy is producing more reliable student outcome data from Job Corps centers and career transition service providers.

To address *Ensuring the Effectiveness of the Job Corps Program* (see the Top Management Challenges in the Other Accompanying Information section), Job Corps' Regional Offices have improved the way they monitor the performance of outreach and admissions, center and career transition providers. Regional Offices provide oversight, perform desk reviews and conduct formal assessments, including rigorous data integrity audits, of each contract at least once every 24 months. To improve student health and safety, Job Corps uses a comprehensive communication network of safety advisories and conducts multiple annual safety inspections and reviews. This past fiscal year, the program achieved 100 percent timely filing of safety injury claims. Also, to improve student safety, centers continue to separate students who violated the program's strict Zero Tolerance policy (for drugs and violence).

[18] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

Increase placements and educational attainments for youth served through the WIA Youth program.

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Performance Goal 08-1C (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		PY 2005 Goal Achieved	PY 2006 Goal Achieved	PY 2007 Goal Achieved	**PY 2008 Goal Achieved**
Percent of participants entering employment or enrolling in post-secondary education or advanced training/occupational skills training in the first quarter after exit	Target	baseline	60%	61%	**59.4%**
	Result	57.8%	60%	62%	**66.7%****
	*	Y	Y	Y	**Y**
Percent of students who attain a GED, high school diploma or certificate by the end of the third quarter after exit	Target	baseline	40%	45%	**50.9%**
	Result	36%	44%	57%	**58.2%****
	*	Y	Y	Y	**Y**
Percent of students who achieve literacy or numeracy gains of one Adult Basic Education (ABE) level (approximately equivalent to two grade levels)	Target	—	baseline	baseline	**23.2%**
	Result	—	—	30%	**38.6%****
	*	—	—	—	**Y**
Goal Net Cost (millions)		$1,017	$866	$966	**$1,125**

Source(s): Annual State WIA performance reports (ETA-9091) and quarterly reports (ETA-9090).

Note: *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 DOL and by other Federal agencies. Costs are not allocated to the indicator level for placement, credential and literacy/numeracy measures because program activities are not separable into categories associated with one or another. This goal was reported Substantially Achieved in the FY 2007 PAR based on estimated data.

Program Perspective and Logic

The Workforce Investment Act authorizes services to low-income youth (age 14-21) with barriers to employment. The program serves both in- and out-of-school youth, including youth with disabilities and other youth who may require specialized assistance to complete an educational program or to secure and hold employment. Youth participants are prepared for employment and post-secondary education by stressing linkages between academic and occupational learning. Services available to youth include tutoring, alternative secondary school offerings, summer employment, occupational skill training, paid and unpaid work experience, leadership development opportunities, mentoring, comprehensive guidance and counseling, supportive services such as assistance with child care and housing, and follow-up services such as on-going career counseling after a youth exits the program.

DOL collects data for three performance indicators, the Federal job training program common performance measures for youth, that enable the program to describe and compare the outcomes of its core purposes to other education, employment and job training programs focusing on youth. The first measure, percent of youth participants who are in employment or enrolled in post-secondary education or training, indicates whether DOL is transitioning youth into the workforce or post-secondary education — a key to successful careers. The second, percent of participants who attain a diploma, GED, or certificate, is a proxy for the effectiveness of the program in preparing youth participants for high-demand occupations. The third indicator measures literacy/numeracy gains by out-of-school youth participants who are deficient in basic skills.

Recovery Act

The Recovery Act made an additional $1.2 billion available for WIA Youth activities, using the same formula as the regular appropriation. Formula funds were distributed to States and local workforce investment boards based on the three factors required for WIA – the number of unemployment for Areas of Substantial Unemployment (ASUs), the higher number of either excess unemployment individuals or ASU excess, and the number of economically disadvantaged youth. The grantees, using these funds, provided additional authorized WIA Youth activities with a specific focus on creating summer employment opportunities for youth. The Recovery Act also extended the youth eligibility age from 21 to 24 and encourages local areas to expose participating youth to opportunities in green jobs in the construction, energy efficiency, renewable energy, and other related industries.

Three measures will be used to assess the effectiveness of WIA Youth Recovery Act funds at providing summer employment opportunities for youth: the work readiness indicator, the number of participants placed in summer employment, and the summer youth completion rate. DOL will utilize the three youth common performance measures to assess long-term outcomes for youth who receive other services funded by the Recovery Act. ETA is also conducting a process evaluation of youth activities funded by the Recovery Act, with a focus on summer employment. The evaluation will incorporate both qualitative and quantitative analysis of the infusion of Recovery Act funds into programs for youth. The study is based on a selected sample of local workforce investment areas. For more information, see http://www.recovery.gov/?q=content/program-plan&program_id=7666.

Andrea is proud of her progress and grateful for Virginia's Middle College program, which allows individuals lacking a high school degree to pursue a high school credential, community college education and workforce certification in a college environment. At first, she was nervous. She had dropped out of high school just two credits shy of graduating to take care of her child. Andrea soon realized that her opportunities were limited without an education, so she explored the options at a local community college. After two months of preparation classes, Andrea earned her high school credential. She quickly found full-time employment and continues her studies at the community college. "I couldn't have got a job without a high school credential. Earning great scores made me feel proud and confident. When I went in to sign up for my college classes, I wasn't afraid or intimidated. I belong in college." Photo Credit: Randy Holmes

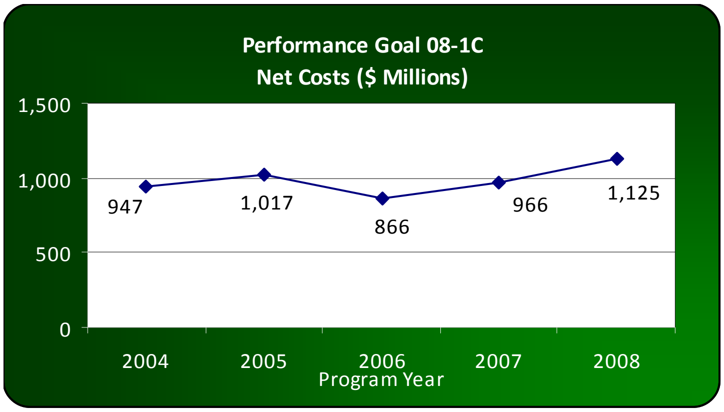
Analysis and Future Plans

The WIA Youth program achieved its performance goal for PY 2008. The program exceeded its placement in employment or education target by 7.3 percentage points, surpassed the degree or certificate attainment target by 7.3 percentage points, and exceeded the literacy or numeracy gains target by 15.4 percentage points. In PY 2008, DOL continued its Shared Youth Vision (SYV) collaborative efforts to assist States in coordinating resources and program delivery strategies to achieve positive outcomes for the youth most in need. The SYV Federal Partnership includes the Departments of Health and Human Services, Education, Justice, Housing and Urban Development, Transporation, Agriculture, plus the Social Security Administration and the Corporation for National and Community Service. DOL and the SYV Federal Partnership have continued to support 32 Shared Youth Vision cross-agency state teams in their collaborative efforts to better serve the youth most in need through monthly community of practice calls, a Federal Partners' Solutions Desk, and peer to peer forums.

Indicator	*	What worked	What didn't work
Placement in employment or education	Y	• Collaborative efforts with partners that included providing States a self-assessment tool to facilitate state-level coordination. • Adopted a statistical model to establish targets that account for external factors that impact program performance.	• As stated in the GAO report 08-013 (discussed in more detail below), many local workforce areas are utilizing performance-based contracts that result in disincentives to serve the most at-risk youth and still achieve performance targets.
Attainment of a degree or certificate	Y		
Literacy or numeracy gains	Y		

Program Performance Improvement Plan
• DOL will assist States and local areas, through the issuance of guidance, on how to structure service provider contracts to allow WIA Youth programs to successfully serve youth most at-risk.

*Target reached (Y), improved (I), or not reached (N)



Costs associated with this performance goal rose by seventeen percent from PY 2007 to PY 2008, reflecting fluctuations in the timing of expenditures and the number of participants served. In addition, increased costs in PY 2008 reflect expenditures in the last quarter that can be attributed to the expansion of summer employment opportunities under the Recovery Act.

In 2010, WIA Youth Program's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality;*
- *Assuring skills and knowledge that prepare workers to succeed in a knowledge-based economy, including in high-growth and emerging industry sectors like "green" jobs; and*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs.*

Program Assessments, Program Evaluations and Audits

Findings and recommendations from a WIA Youth Program assessment completed in 2008 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Conducting an evaluation to determine WIA services' impact on employment and earnings outcomes for participants.* ETA convened a Peer Review Board of independent researchers and stakeholders to review and provide comments on the design of the Workforce Investment Act Gold Standard Evaluation (WGSE). The review provided useful input on the contractor's evaluation design. ETA is continuing to refine the design and hopes to begin implementation of the evaluation in FY 2010. Also, as discussed above, ETA is conducting a process evaluation of youth activities funded by the Recovery Act, with a focus on summer employment.
- *Implementing efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment program.* An independent study completed in PY 2008 recommended outcome-based efficiency measures for which the Department is collecting baseline data. These data will inform the selection of appropriate measures for each program. Additional research on setting performance standards and targets will be completed by December 2009.
- *Strengthening the quality of youth performance data, specifically supplemental data and administrative records, through data validation.* In May 2009, DOL issued revised guidance and an update to the Data Reporting and Validation Software. These updates will allow all States to submit timely and accurate youth performance data. Regional Office staff will continue to monitor the States' validation of youth performance data during periodic state monitoring reviews.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10000342.2008.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

“Disconnected Youth: Federal Action Could Address Some of the Challenges Faced by Local Programs that Reconnect Youth to Education and Employment,” February 2008 (GAO)	
Relevance: GAO examined 39 local youth programs (15 of which are WIA-funded) to learn how Federal agencies are helping them address the challenges they face in serving youth who have been disconnected from education and employment.	
Findings and Recommendations: • GAO found that Workforce Investment Board (WIB) contracts with local service providers often require that providers achieve performance goals for participants in one-year time frames. This is very challenging for programs serving the most at-risk youth, who may need more time to obtain skills. Funding in subsequent years is often contingent on meeting performance goals, making the contract structure a disincentive to serving these youth. • GAO recommended that DOL work with States and WIBs to better ensure they have the information and guidance needed to develop and implement more effective contracts to allow local programs to serve youth most in need of assistance while still achieving performance goals.	***Actions:*** • In 2008, DOL convened WIA State, local, and youth service providers to get a better understanding of contracting issues and gather local examples of contracts that have the components and the flexibility to successfully serve the youth most in need. • Using input from that discussion, DOL will issue guidance to the workforce system in the fall of 2009 including specific examples of ways to develop contracts with local service providers that allow them to successfully serve youth at varying skill levels.
Additional Information: The report is available at http://www.gao.gov/new.items/d08313.pdf.	
“GAO Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, while Accountability and Reporting Challenges Need to Be Fully Addressed,” September 2009 (GAO)	
Relevance: Reviews were conducted in ten states to understand the effect of the implementation of the Recovery Act funds specifically targeted for the Workforce Investment Act Youth program and summer youth employment activities.	
Findings and Recommendations: • States and localities reported difficulties in responding to the Recovery Act’s focus on green industries without a clear standard of what constitutes a green job. DOL must provide additional guidance about the nature of these jobs and strategies that could be used to prepare youth for careers in green industries, to better support state and local efforts with employment and training in green jobs. • Flexibilities given to States and local areas on measuring work readiness—the sole indicator of summer activities—lacks comparability and provides little understanding about actual individual outcomes and program achievement. DOL must provide additional guidance on how to measure the work readiness of youth, with a goal of improving the comparability and rigor of the measure.	***Next Steps:*** • The Department plans to leverage the results of the Recovery-Act funded competitive grants for green job training to provide insights on delivering services to youth, and others, along green career pathways. • The Bureau of Labor Statistics is developing a definition for green sectors and green jobs that will inform state and local workforce development efforts to identify and target green jobs and their training needs. • Technical assistance forums will be held in late 2009 to focus on strategies to prepare out-of-school youth for careers in green sectors and industries; and for implementing services with remaining Recovery Act funds. • An evaluation of the WIA Youth Program was initiated to better understand issues and challenges; and to gather lessons learned related to measuring work readiness. • Methodologies, used this summer, to measure work readiness are being assessed and further refinement of the work readiness indicator is planned. Should significant summer activities be continued in the future, then further guidance that provides for more consistent and meaningful data and reporting will be issued.
Additional Information: The report is available at http://www.gao.gov/new.items/d091016.pdf	

Data Quality and Top Management Challenges

The data quality rating for this performance goal also applies to Performance Goals 2A and 2B. These goals rely on the same data collection system to determine employment outcomes for WIA program participants. Data quality for these performance goals are rated *Very Good*.[19] There are challenges with data validation of the WIA outcomes, including maintenance and updating of the data validation software, providing State staff with needed technical assistance – especially given high turnover of staff at the Federal and State levels – and monitoring reviews by ETA regional office staff of State implementation of the data validation initiative. However, ETA made progress in expanding use of its data validation system for monitoring data quality at both the national and regional levels (see also *Improving Performance Accountability of Grants*, which is one of the Top Management Challenges in the Other Accompanying Information section). All States comply with ETA's requirement to validate the outcome data they submit annually in the WIA Annual Reports, and the majority use ETA's data validation software to verify the outcome data they submit annually. States are required to provide report validation results by October 1 and data element validation results by February 1 following each program year. DOL also includes data report validation results as one of the criteria for determining eligibility for WIA incentive awards and those States subject to sanctions for poor performance.

[19] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

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

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Performance Goal 09-1D (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2005 Goal Achieved	FY 2006 Goal Achieved	FY 2007 Goal Achieved	FY 2008 Goal Not Achieved	**FY 2009 Goal Not Achieved**
Percent of those employed nine months after registration as an apprentice	Target	baseline	78%	79%	84%	**81.6%**
	Result	78%	82%	83%	84%	**76.8%****
	*	Y	Y	Y	Y	**N**
Average hourly wage gain for tracked entrants employed in the first quarter after registration and still employed nine months later	Target	baseline	$1.26	$1.33	$1.51	**$0.61**
	Result	$1.26	$1.32	$1.50	$0.61	**$0.17****
	*	Y	Y	Y	N	**N**
Percent of participants employed in the first quarter after exit	Target	–	–	–	–	**baseline**
	Result	–	–	–	–	**73.9%****
	*	–	–	–	–	**–**
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	–	–	–	–	**baseline**
	Result	–	–	–	–	**87.2%****
	*	–	–	–	–	**–**
Average earnings in the second and third quarters after exit (six months' earnings)	Target	–	–	–	–	**baseline**
	Result	–	–	–	–	**$18,967****
	*	–	–	–	–	–
Goal Net Cost (millions)		$23	$25	$24	$25	**$25**

Source: Registered Apprenticeship Partners Information Data System (RAPIDS).

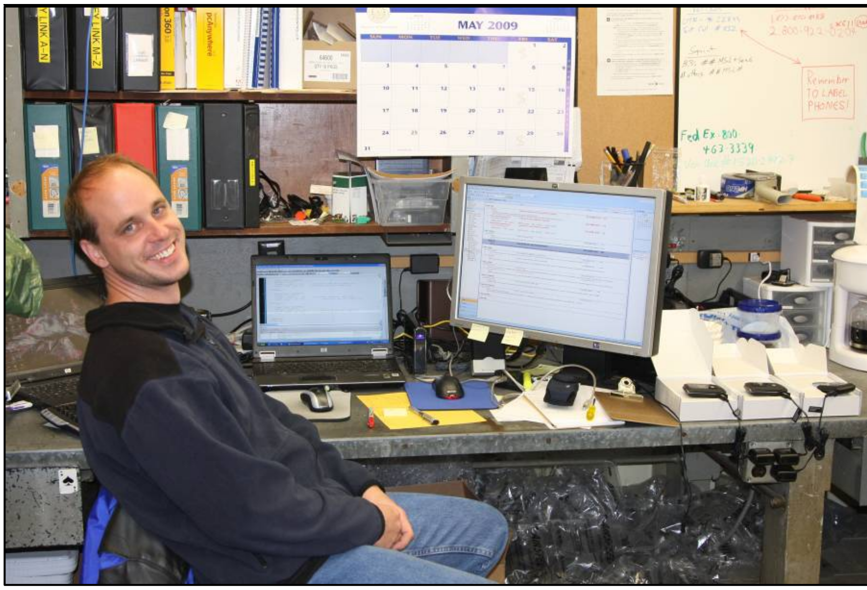
Legacy Data: One indicator for FY 2005 was dropped; it is not included in this table. Complete indicators, targets, and results for FY 2005 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 06-1.1A.

Note: *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 DOL and by other Federal agencies. "Tracked entrants" is defined as the cohort of apprentices registered and entered into RAPIDS during a given reporting period. The 25 States that have Federally-registered apprenticeship programs enter data on individuals into the system. Costs are not allocated to the indicator level for employment, retention and earnings measures because program activities are not separable into categories associated with one or the other.

Program Perspective and Logic

Established in 1937, the National Registered Apprenticeship System is a partnership of the Department of Labor, State agencies, sponsors, industry leaders, employers, employer associations, labor and management organizations, and educational institutions. It provides opportunities for jobseekers to secure jobs with career paths, earn competitive wages, and obtain nationally-recognized industry credentials. The apprenticeship training system promotes and registers programs and apprentices, certifies standards, safeguards the welfare of the apprentices, and provides a nationally recognized system for skilled and technical occupational training programs throughout the United States. Apprenticeship programs use a combination of classroom training and on-the-job learning, under close supervision of a skilled worker, to teach apprentices the practical and theoretical requirements of a highly skilled occupation. Most of the training costs are borne by apprenticeship program sponsors.

The Department promotes the Registered Apprenticeship System to potential sponsors and participants and registers and monitors these partners' apprenticeship programs, in some cases via State Apprenticeship Agencies (SAAs), which are recognized by the Secretary of Labor. SAAs certify that standards are met for quality, fairness,



Rob, an exceptional employee of the City of San Diego's Communications Division, is participating in a four-year Apprentice Program that produces highly qualified journey-level Communications Technicians. The Communications Division is responsible for design, installation and maintenance of all wireless communications systems and services for the city. Their primary customers include the Police and Fire-Rescue Departments. Rob has maintained a perfect grade point average and mentored several other apprentices using design software called Circuit Wizard. He has also designed, built, and integrated with the existing system real time sensors for remote mountain top sites. The apprenticeship has provided a good opportunity for Rob to use his existing skills and to gain knowledge of wireless communication concepts and systems. He has also enhanced his value to the city's workforce. Photo credit: DOL/ETA

and equal opportunity, and that apprenticeship programs incorporate appropriately supervised on-the-job learning and occupation-related technical instruction.

As a system based on voluntary industry and employer participation, apprenticeship program performance is directly impacted by external factors such as the wage rates determined by local apprenticeship sponsors and by the demand for skilled and technical labor in local markets. Two performance indicators, apprentices employed nine months after registration and average hourly wage gain for tracked entrants, are used to indicate progress towards program completion and the value of skills obtained. In FY 2009, the Office of Apprenticeship (OA) is collecting baseline data for transition to the Federal job training program common measures. Common measures (entered employment rate, employment retention rate, and average earnings) enable comparisons to be made to education, employment, and job training programs that share similar purposes.

Analysis and Future Plans

The National Registered Apprenticeship System did not achieve its performance goal for FY 2009. The retention result of 76.8 percent was almost five points below target and the 17-cent average hourly wage gain was 44 cents below target. Apprenticeships are tied to employment and therefore have declined in number with the nation's widespread job losses over the past year – especially since a large majority of apprentices are in the construction and manufacturing industries, both of which have been severely affected by the recession. However, based on preliminary Common Results Information System (CRIS) data, wages for apprentice exiters are more than 26 percent above other selected ETA programs' exiters (WIA Adults and Dislocated Workers, and Trade Adjustment Assistance).

For FY 2010, the program will establish performance targets for the new common measures. Over the next year, OA staff will work with SAAs to ensure compliance with the revised Federal regulations published in October 2008. The revised regulations will advance the National Registered Apprenticeship System by providing new options and increased flexibility, promoting Registered Apprenticeship as a workforce development strategy for today's regional economies, strengthening consistency and continuity across the system, and establishing a consistent framework to promote improved performance outcomes and quality.

Indicator	*	What worked	What didn't work
Retention in apprenticeship	N	• Linkages with the workforce investment system to provide apprentices with supportive services and other services to help reduce non-completion. • Activities to integrate apprenticeship on the state level through three Regional Action Clinics held in Regions 4, 5, and 6 proved successful.	• Lack of work projects, employment cutbacks, and wage freezes negatively impacted results.
Average hourly wage gain	N	• Employers hiring new apprentices offered higher than expected starting wages.	• See Retention indicator above.
Program Performance Improvement Plan			
• Continue the technical assistance strategy to better align and integrate Registered Apprenticeship with the workforce investment and education systems. • Support collaboration and partnerships as well as prepare and refer One-Stop job seekers to Registered Apprenticeship. • Play a key role in bringing about collaboration and change among the systems creating opportunities to support apprentices and outreach to new businesses. • Hold additional Regional Action Clinics on the East Coast in early FY 1010. Action Clinics promote further collaboration and partnerships between the education, workforce and Registered Apprenticeship systems; and leverage Registered Apprenticeship as a key workforce development strategy in the public workforce system.			

*Target reached (Y), improved (I), or not reached (N)

Net costs for Apprenticeship activities were virtually unchanged from FY 2008-2009.

In 2010, the Office of Apprenticeship's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality; and*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs.*

Program Assessments, Evaluations and Audits

Findings and recommendations from a Job Training Apprenticeship program assessment completed in 2005 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Implementing the common measures for earnings and retention and establishing an Internet-based apprenticeship registration system to efficiently obtain comprehensive performance data.* The Registered Apprenticeship Partners Information Data System (RAPIDS) debuted in November 2007. Phase 2 of RAPIDS is scheduled for completion in FY 2009 and will allow SAAs and sponsors to upload data electronically.
- *Evaluating and reporting participants' employment and earnings after they leave the program to compare apprenticeship program outcomes with those of other training models.* During the FY 2009 transition period, OA reported on the common measure results for apprenticeship completers extracted from RAPIDS and tracked through the Common Results Information System.
- *Addressing underrepresentation of women in apprenticeship programs through a reinvigorated Equal Employment Opportunity review process and tracking and reporting performance.* The economic downturn and its impact on the construction industry have led to less than favorable results from the six Women in Apprenticeship and Non-Traditional Occupations (WANTO) grants awarded in FY 2006 and 2007. The lack of hiring in the construction industry affected the grantees' ability to place participants in jobs. However, the six grantees have established the capacity to prepare women participants to enter construction careers, and they are ideally positioned to leverage additional resources as the Recovery Act investments begin to generate more employment opportunities for women in nontraditional occupations. Also, in FY 2010, the Department will be funding an evaluation to gain insight on the impediments impacting and strategies to increase the recruitment, enrollment, and retention of women in Registered Apprenticeship programs.
- *Implementing efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs.* An independent

study completed in PY 2008 recommended outcome-based efficiency measures for which the Department is collecting baseline data. These data will inform the selection of appropriate measures for each program. Additional research on setting performance standards and targets will be completed by December 2009. More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10003901.2005.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

"The Benefits and Challenges of Registered Apprenticeship: The Sponsors Perspective," March 2009 (Urban Institute and American University)	
Relevance: Sponsors of registered apprenticeships were surveyed to determine the effectiveness of apprenticeships and identify program operation improvements for the Registered Apprenticeship System.	
Findings and Recommendations: • Strong support from current Registered Apprenticeship sponsors exists; and sponsors are likely to be helpful in efforts to promote Registered Apprenticeship. • Sponsors' interactions with the workforce investment system were limited. One-Stop Career Centers and unions were the *least* frequently identified sources for recruitment. • Sponsors want help recruiting and screening applicants, finding related instruction, and designing competency-based programs. • SAAs are "good" or "excellent" in promoting and publicizing registered apprenticeship.	***Actions:*** • OA will continue to expand efforts to engage the workforce investment system to provide registered apprentices with support services available through the One-Stop Career Centers. • OA will encourage program sponsors to partner with the workforce investment system to access resources available to assist in screening applicants and identifying sources of related instruction. • OA will continue outreach and technical assistance efforts to promote advantages of competency-based programs.
Additional Information: The final report can be found at http://wdr.doleta.gov/research/.	
"Registered Apprenticeship: Findings from Site Visits to Five States," November 2008 (Planmatics, Inc.)	
Relevance: Site visits were conducted in five states with registered apprenticeship sponsors, apprentices, SAA staff, One-Stop Career Center managers, and related instruction providers to better understand current issues in Registered Apprenticeship.	
Findings and Recommendations: • Registered apprenticeship enjoyed strong support from the sponsors and apprentices interviewed and most sponsors stated that they would strongly recommend registered apprenticeship to other employers. • Sponsors noted some difficulty in finding high-quality related instruction. • Coordination and linkage between registered apprenticeship and the One-Stop Career Center System appeared to be limited. • Recommendations suggested by program sponsors included increased promotion of Registered Apprenticeship, reduced paperwork, more support from other programs in the workforce investment system, and increased monitoring of program quality.	***Actions:*** • In 2007 – 2009, ETA issued policy guidance and hosted three regional Action Clinics to promote further collaboration and partnerships between the education, workforce and Registered Apprenticeship systems. OA will continue these efforts to link program sponsors with resources available through One-Stop Career Centers. • Completion of RAPIDS design and upgrades will streamline paperwork required of program sponsors. • Implementation of revised regulatory framework, which includes a new section on performance standards, will support increased program quality and enhanced accountability.
Additional Information: The final report can be found at http://wdr.doleta.gov/research/. See ETAOP 2009-02.	

Data Quality and Top Management Challenges

Data quality for the Apprenticeship program is rated *Fair*.[20] All Federally-administered programs (in 25 States) are using RAPIDS, which automated data entry and established greater quality controls for data entered into the

[20] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

system by program sponsors. System modifications to implement common measures for earnings and retention data have been completed, and an internet-based format has been successfully implemented to capture performance data. Unemployment insurance wage records are matched with the information collected in RAPIDS. This process allows OA to routinely monitor the data and conduct automatic data error checks. Quality assessments and Equal Employment Opportunity compliance reviews have been completed on 90 percent of programs with five or more apprentices within a five-year cycle established in FY 2005. However, apprentices' employment and wage data provided by employers cannot be verified.

RAPIDS implementation also addresses an ongoing Departmental commitment to improve data quality by developing a cost-effective strategy for collection of data from programs in 25 States and three territories that are not administered by the Department. RAPIDS has undergone system application verification testing that found RAPIDS provides real-time data through ad-hoc and quarterly reports, and that the system is effective in identifying data errors. Results are used to provide evidence that the system logic is functioning correctly and supports rationale for current or future system changes. Further enhancements are scheduled in FY 2009 that will enable sponsors and the 25 SAAs to participate directly in RAPIDS or provide the option to electronically upload apprenticeship data into RAPIDS.

Improve employment outcomes for veterans who receive One-Stop Career Center services.

Performance Goal 08-1E (VETS)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		PY 2004 Goal Achieved	PY 2005 Goal Achieved	PY 2006 Goal Not Achieved	PY 2007 Goal Achieved	**PY 2008 Goal Not Achieved**
Percent of Veteran participants employed in the first quarter after exit	Target	58%	59%	60%	61%	**62.5%**
	Result	60%	62%	60%	62.5%	**58.7%**
	*	Y	Y	Y	Y	**N**
Percent of Veteran participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	80%	81%	81%	80%	**82.0%**
	Result	81%	81%	79%	81.8%	**80.6%**
	*	Y	Y	N	Y	**N**
	Cost	—	$89	$91	$93	**$109**
Percent of Disabled Veteran participants employed in the first quarter after exit	Target	54%	55%	55%	56%	**58.5%**
	Result	56%	57%	55%	58.4%	**55.8%**
	*	Y	Y	Y	Y	**N**
Percent of Disabled Veteran participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	78%	79%	79%	79%	**81.0%**
	Result	79%	80%	78%	81.1%	**79.7%**
	*	Y	Y	N	Y	**N**
	Cost	—	$89	$91	$95	**$109**
Goal Net Cost (millions)		—	$182	$181	$190	**$219**

Source(s): Quarterly Labor Exchange Reporting System reports included in the Enterprise Business Support System and Unemployment Insurance records.

Legacy Data: Some indicators not shown for PY 2004-07. Complete indicators, targets and results for PY 2004-07 are available in the FY 2008 report at http://www.dol.gov/_sec/media/reports/annual2008/SG1.htm. See Performance Goal 07-1D.

Note: *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 DOL and by other Federal agencies. Costs are not allocated to the indicator level for employment and retention measures because program activities are not separable into categories associated with one or another of them. However, this goal includes two distinct target populations. Costs for each group (all veterans and disabled veterans) are provided in the cost cell opposite the retention indicators, where available.

Program Perspective and Logic

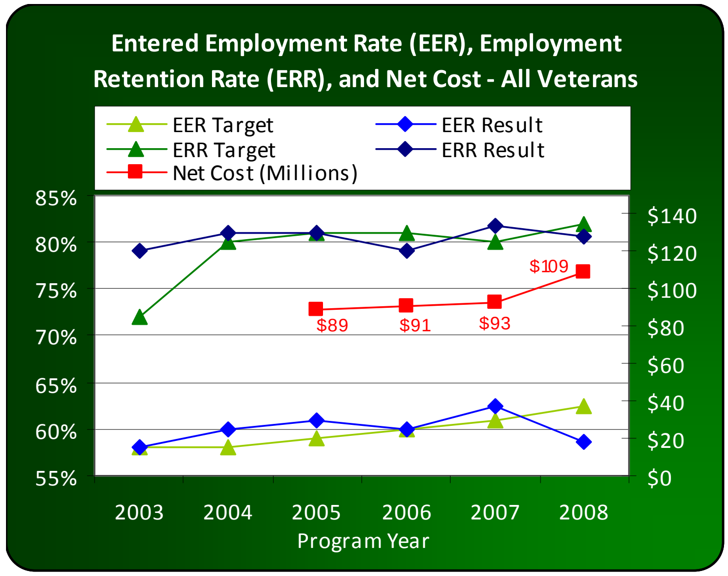
Jobs for Veterans State grants support the delivery of employment services needed by veterans and transitioning service members to promote their success in the civilian workforce. These grants support approximately 2,000 disabled veterans' outreach specialists and local veterans' employment representatives stationed at the nationwide network of nearly 3,000 comprehensive and affiliate One-Stop Career Centers. These staff serve as experts on workforce resources available for veterans. The local representatives emphasize the provision of services for recently separated veterans and handle outreach to employers, while the outreach specialists focus their efforts on intensive services for disabled veterans and other veterans with significant barriers to employment.

One-Stop Career Centers serve younger, recently separated veterans who have limited civilian work experience and older veterans with civilian experience who have become unemployed. DOL applies the Federal job training program common measure definitions of entry to employment and retention in employment as the critical indicators of successful outcomes for all veterans and all disabled veterans who receive One-Stop services. During

PY 2008, VETS is collecting baseline data on average earnings; in PY 2009, those two indicators (one for all veterans and another for disabled veterans) are being added to the four employment and retention performance indicators.

Analysis and Future Plans

VETS did not achieve this performance goal for PY 2008. That shortfall and the decline in measured outcomes between PY 2007 and PY 2008 are attributable to increases in the national unemployment rates, which were already rising at the outset of PY 2008 and accelerated in the second quarter. For PY 2009, VETS has revised its performance targets to reflect the Administration's economic assumption of continued high unemployment during PY 2009.



In response to the impact of deteriorating economic conditions on veteran participants' outcomes, VETS implemented two initiatives during PY 2008 (see the Improvement Plan in the table below).

Net costs for activities under VETS' State Grants program increased by 15 percent from PY 2007-2008. The appropriations for this program annually include a provision that permits State grantees to expend during the first quarter of a fiscal year any residual funding obligated by the Department during the prior fiscal year. As the current economic recession began to take hold, some States' cost containment efforts led to delays in filling funded positions that had become vacant through normal staff turnover – pushing expenditure of funds obligated by DOL in the prior year into this reporting period.

Indicator	*	What worked	What didn't work
Entered employment rate for all veterans	N	• Ongoing delivery of services to veterans prevented even steeper declines in measured performance.	• Employment services referring veterans to available job openings were less effective due to the shortage of openings.
Employment retention rate for all veterans	N	• The relatively modest decline in the retention rate suggests that, once employed, veterans had significant success maintaining that status.	• Involuntary terminations dictated by economic conditions inevitably resulted in the failure of some veterans to retain employment.
Entered employment rate for disabled veterans	N	• Disabled veterans experienced a less drastic decline in entry to employment than all veterans.	• Economic conditions added a further barrier to disabled veterans seeking employment.
Employment retention rate for disabled veterans	N	• Disabled veterans experienced a decline in retention that was only slightly higher than for all veterans.	• Economic conditions likely contributed to the consistent decline in retention.
Program Performance Improvement Plan			
• Consistent with new regulations regarding priority of service for veterans (effective January 2009), DOL is encouraging program operators in the public workforce system to use a significant share of the additional Recovery Act funds to more aggressively deliver the full range of workforce services to veterans. • The Recovery Act provided new authority to provide incentives for employers to hire veterans under the Work Opportunity Tax Credit (WOTC). ETA intends to delegate to the state workforce professionals funded by VETS the authority to certify job applicants' veteran status – thus qualifying employers who hire them to receive the tax credit.			

*Target reached (Y), improved (I), or not reached (N)

In 2010, VETS' activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality;*
- *Assuring skills and knowledge that prepare workers to succeed in a knowledge-based economy, including in high-growth and emerging industry sectors like "green" jobs;*
- *Breaking down barriers to fair and diverse workplaces so that every worker's contribution is respected;*
- *Providing workplace flexibility for family and personal care-giving;*
- *Facilitating return to work for workers experiencing workplace injuries or illnesses who are able to work and sufficient income and medical care for those who are unable to work;*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs; and*
- *Helping middle-class families remain in the middle-class.*

Program Assessments, Program Evaluations and Audits

Findings and recommendations from a Veterans' Employment and Training State Grants assessment completed in 2005 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Implementing recommendations from follow-up evaluation to assess veteran outcomes.* The study is now scheduled for completion in December 2009. VETS will review the study's findings and begin implementation of recommendations in the second and third quarters of FY 2010.
- *Improving the integration of services between the Jobs for Veterans State Grants and Veterans' Administration's (VA) Vocational Rehabilitation and Employment (VR&E) program.* Interagency work groups are coordinating service delivery and reporting procedures. The comprehensive reporting envisioned is dependent on implementation of a "next generation" individual record based system.
- *Streamlining and upgrading grants management and reporting for the Jobs for Veterans State Grants.* The forms required to implement the streamlined procedures have been submitted for review and approval by the Office of Management and Budget. The current schedule calls for implementation to occur during the second half of PY 2009.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10003907.2005.html.

Data Quality and Top Management Challenges

Data for this performance goal, rated *Very Good* by the Department's criteria,[21] are tracked using the reporting system for One-Stop Career Centers (Performance Goal 08-2C). Therefore, the data quality assessment for that goal also applies to VETS' indicators. VETS has no DOL top management challenges.

[21] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

Strategic Goal 2: *A Competitive Workforce*

Meet the competitive labor demands of the worldwide economy by enhancing the effectiveness and efficiency of the workforce development and regulatory systems that assist workers and employers in meeting the challenges of global competition.

America's success in the global economy depends largely on a workforce that responds to employers' demand for skilled workers. Through partnerships with State and local workforce agencies, business and industry, education and training providers, faith-based and community organizations, and economic development agencies, DOL makes strategic investments in job training and increases accessibility and quality of information to help match workers with employers.

DOL agencies and offices supporting this goal are:

- Employment and Training Administration (ETA),
- Office of Disability Employment Policy (ODEP), and
- Bureau of International Labor Affairs (ILAB).

Fostering a competitive workforce means helping American workers acquire valuable skills and adapt to rapidly evolving markets. Customized training and assistance to workers – including those with unique needs such as dislocated workers, individuals with disabilities, and veterans – improve their chances to obtain better paying jobs, to keep those jobs and to advance their careers.

DOL also educates workers about jobs with promising career paths and helps employers access the services of the State and local workforce investment system. To complement these services, the Foreign Labor Certification program assists employers whose needs cannot be supplied by U.S. workers.

In today's economy, the well-being of American workers is increasingly tied to international stability, which is, in part, a function of broad-based economic prosperity. DOL-supported international technical assistance projects focus on raising living standards through workplace-related interventions, supporting the expansion of free and fair trade, eliminating exploitive child labor, and promoting the basic rights of workers.

Here are a few highlights of FY 2009 performance:

For Workers[22]

- Entered employment rates rose for Trade Adjustment Assistance (TAA) participants but fell for those served by the Workforce Investment Act (WIA) Adult and Dislocated Worker programs, the Employment Service, and the Senior Community Service Employment Program (SCSEP).
- Retention in employment fell for participants in all five of the aforementioned programs – largely due to the economic recession.
- Participants' average earnings fared much better. Increases were reported for WIA Adult, WIA Dislocated Worker, and SCSEP. Results for Employment Service and TAA participants dropped slightly from FY 2008.

Erin did not envision working as a composites technician when she enrolled at Davis Applied Technology College in Kaysville, Utah. However, in 2008, she learned about the Composites Program – funded in part by DOL's Community Based Job Training Grants – and became interested because the work was hands-on, varied, and the program would qualify her for numerous employment opportunities. She saw great opportunity for women in this field. Erin completed the training program in six months and was immediately hired by ITT Technical Institute. Though she is one of very few women working on the floor, she is enjoying a very good work experience. Erin says, "This has been very positive for me. There are so many opportunities for growth within the composites industry and so much potential in the United States as well as around the world. It was a great decision." Photo Credit: DOL/ETA

[22] Employment and retention results (first two bullets) are displayed in charts on the next page.

For Employers

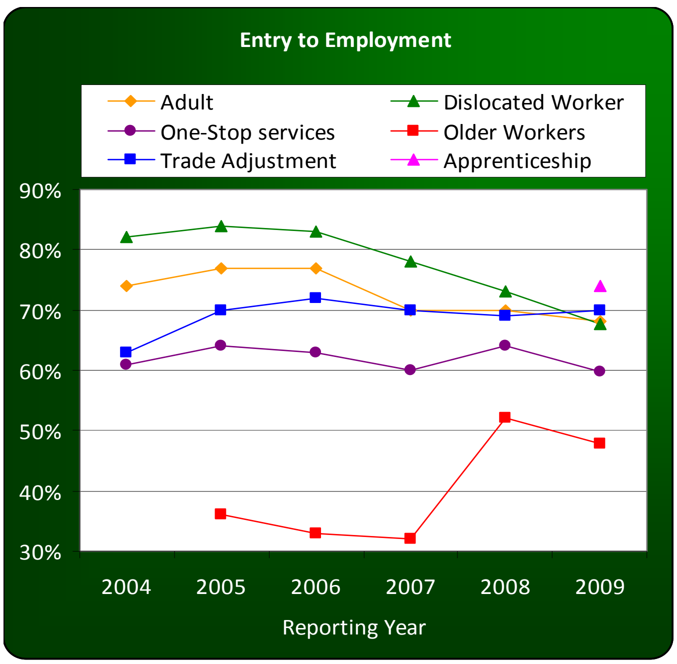
- 100 percent of H-1B foreign labor certification applications (highly skilled professionals or specialty workers) were processed within the statutory, seven-day time frame.

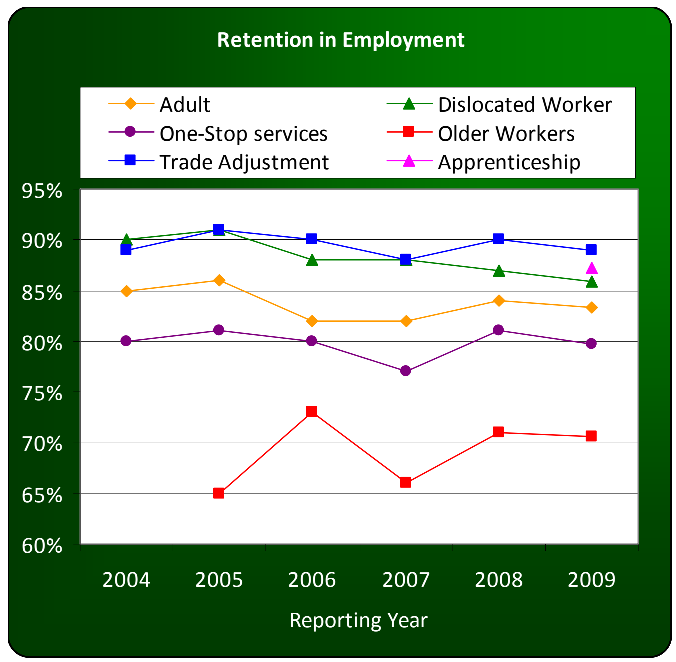
For the International Community

- DOL-supported projects withdrew or prevented 144,890 children from exploitive labor by providing education and/or training opportunities.
- Through technical support and outreach from DOL-funded projects, 36 countries increased their capacity to eliminate the worst forms of child labor.

For more information, please see the Performance Goal narratives.

Five of the eight performance goals in Strategic Goal 2 are for employment and training programs. The charts below indicate these programs' historical results for entered employment rate (percent of participants who obtain jobs subsequent to receipt of services) and employment retention rate (percent of those who obtained jobs who are still employed six months later) – two of three Federal job training program common measures.[23] Significant differences in results between programs are generally explained by differences in types of services offered and populations served.





The following table provides net costs for all performance goals and indicators associated with this strategic goal.[24] Those with labels that begin with "08" operate on a Program Year (PY) basis; they report on the period from July 1, 2008 to June 30, 2009 due to the forward-funding authorized in the Workforce Investment Act of 1998 (WIA).

[23] Several Federal agencies, including the Departments of Labor, Education, Health and Human Services, Interior and Veterans Affairs, administer programs that share the goal of helping people find jobs. To inform comparative evaluations of effectiveness, the Administration worked with these agencies to develop outcome measures that apply to their diverse methods and target populations. While these measures have evolved over the last several years, they have consistently focused on participants' entered employment and employment retention rates, and earnings.

[24] Rows labeled "Dollars not associated with indicators" indicate costs that cannot be associated with the current set of performance indicators. For some goals, indicator costs are intentionally combined by merging cells because program activities are not separable into categories associated with one or another of them (e.g., job training program common measures – entered employment, employment retention and average earnings).

Goal or Indicator	Net Costs ($Millions)[25]		
	FY 2007 PY 2006	FY 2008 PY 2007	FY 2009 PY 2008
Strategic Goal 2: *A Competitive Workforce*	**$5,060**	**$4,829**	**$4,725**
Performance Goal 08-2A (WIA Adult) Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act (WIA) Adult program.	896	844	878
Percent of participants employed in the first quarter after exit	*896*	*844*	*878*
Percent of those employed in the first quarter after exit still employed in the second and third quarters after exit			
Average earnings in the second and third quarters after exit			
Performance Goal 08-2B (WIA Dislocated Worker) Increase the employment, retention, and earnings replacement of individuals registered under the WIA Dislocated Worker program.	1,409	1,307	1,440
Percent of participants employed in the first quarter after exit	*1,409*	*1,307*	*1,440*
Percent of those employed in the first quarter after program exit still employed in the second and third quarters after exit			
Average earnings in the second and third quarters after exit			
Performance Goal 08-2C (One-Stop Employment and Workforce Information Services) Improve outcomes for job seekers and employers who receive One-Stop employment and workforce information services.	749	732	699
Percent of participants employed in the first quarter after exit	*749*	*732*	*699*
Percent of those employed in the first quarter after exit still employed in the second and third quarters after exit			
Average earnings in the second and third quarters after exit			
Performance Goal 08-2D (Senior Community Service Employment Program) *Assist older workers to participate in growth industries through the Senior Community Service Employment Program.*	444	479	543
Percent of participants employed in the first quarter after exit	*444*	*479*	*543*
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit			
Average earnings in the second and third quarters after exit			
Performance Goal 09-2E (Trade Adjustment Assistance) Assist workers impacted by international trade to better compete in the global economy through the Trade Adjustment Assistance Program.	805	755	481
Percent of participants employed in the first quarter after exit	*805*	*755*	*481*
Percent of participants employed in first quarter after exit still employed in the second and third quarters after exit			
Average earnings in the second and third quarters after exit			

[25] *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 DOL and by other Federal agencies. Sums may not equal higher level totals due to rounding.

Performance Goal 09-2F (Foreign Labor Certification) Address worker shortages through the Foreign Labor Certification Program.	63	40	54
Percent of H-1B applications processed within seven days of the filing date for which no prevailing wage issues are identified	–	–	–
Percent of employer applications for permanent labor certification under the streamlined system that are resolved within six months of filing	–	–	–
Percent of accepted H-2A applications with no pending State actions processed within 15 days of receipt and 30 days from the date of need	–	–	–
Percent of H-2B applications processed within 60 days of receipt	–	–	–
Dollars not associated with indicators	*63*	*40*	*54*
Performance Goal 09-2G (ODEP) Build knowledge and advance disability employment policy that affects and promotes systems change.	34	27	29
Number of policy-related documents	*34*	*27*	*29*
Number of formal agreements			
Number of effective practices			
Performance Goal 09-2H (ILAB) Contribute to the elimination of the worst forms of child labor internationally.	101	79	69
Number of children prevented or withdrawn from child labor and provided education and/or training opportunities as a result of DOL-funded child labor elimination projects	*101*	*79*	*69*
Number of countries with increased capacities to address child labor as a result of DOL-funded child labor elimination projects			
Other (Indian and Native American Adult Programs, National Farmworker Jobs Program, Work Incentive Grants, Transition Assistance Program, Pilots, Demonstrations, Research & Evaluations, Community-Based Job Training Grants, H-1B Technical Skills Training, National Electronic Tools and other ILAB programs)	560	566	531

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

eta

Performance Goal 08-2A (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		PY 2003 Goal Achieved	PY 2004 Goal Achieved	PY 2005 Goal Achieved	PY 2006 Goal Not Achieved	PY 2007 Goal Not Achieved	**PY 2008 Goal Achieved**
Percent of participants employed in the first quarter after exit	Target	71%	75%	76%	76%	71%	**66.2%**
	Result	74%	77%	77%	70%	70%	**68.1%****
	*	Y	Y	Y	N	N	**Y**
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	82%	85%	81%	82%	83%	**81.7%**
	Result	85%	86%	82%	82%	84%	**83.3%****
	*	Y	Y	Y	Y	Y	**Y**
Average earnings in the second and third quarters after exit (six months' earnings)	Target	—	—	—	$11,000	$12,045	**$12,862**
	Result	—	—	—	$11,870	$13,575	**$14,695****
	*	—	—	—	Y	Y	**Y**
Goal Net Cost (millions)		—	$906	$912	$896	$844	**$878**

Source(s): Annual State WIA performance reports (ETA-9091) and quarterly reports (ETA-9090).

Legacy Data: Some indicators not shown for PY 2003-05. Complete indicators, targets and results for PY 2003-05 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 05-4.1A.

Note: *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 DOL and by other Federal agencies. Costs are not allocated to the indicator level for employment, retention and earnings measures because program activities are not separable into categories associated with one or another.

Program Perspective and Logic

The WIA Adult Program provides adult workers (unemployed and employed) with the high quality services intended to lead to good jobs. Funds are distributed by formula to States, which operate networks of One-Stop Career Centers that provide comprehensive services to workers and employers. Services may include assessments of skills needs, individual career planning, occupational skills training, on-the-job training, skills upgrading, entrepreneurial training, and adult basic education and literacy activities. States also use the WIA Adult Program to leverage additional Federal and non-Federal resources to increase the quality and variety of assistance. In PY 2009, the program is focusing on expanding workforce development areas that hold promise – such as career pathways that more fully integrate basic skills and technical/occupational education.

DOL measures the success of this program with the Federal job training program common measures. The common measures enable comparisons to be made to government-wide education, employment and job training programs that share similar core purposes. The common measures are entered employment, employment retention, and average earnings. A high entered employment rate indicates success in placing individuals in jobs. A high retention rate indicates employment stability. Increased average earnings indicate that participants are getting better jobs at higher wages.

Recovery Act

Since workers may need to upgrade skills or attain alternative skills to compete for limited career opportunities, training is a particularly vital service during the economic recovery. Consequently, overall training enrollments are expected to increase. The Recovery Act made an additional $500 million available for the WIA Adult program to provide the necessary services to substantially increased numbers of adults seeking entry or reentry into the job

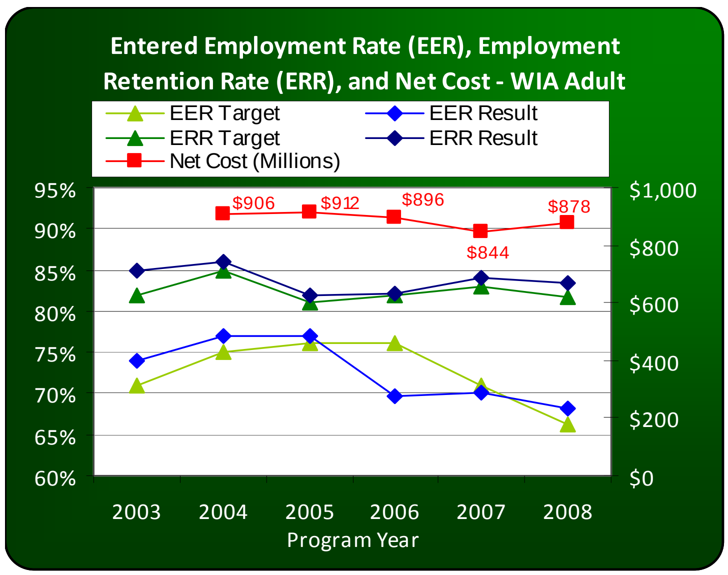
Due to chronic illness, Blake dropped out of high school just two weeks before graduation. He was working part-time at a pizza parlor for $5.50 an hour when he sought assistance from the Watertown Career Learning Center??(CLC) in obtaining his General Equivalency Diploma (GED). Blake didn't just pass the GED examination – he received the highest score in South Dakota! CLC staff referred Blake to the South Dakota Department of Labor, where he received assistance identifying career aptitude, interests and goals, and determined that the Engineering/Drafting program at Lake Area Technical Institute offered a promising curriculum. Blake did not let his illness keep him from completing his assignments; he graduated with a 3.96 grade point average. Just 10 days after graduation, Blake began a new career as a drafter. With assistance made possible by WIA funding, Blake applied his determination and hard work to climb from a low-skilled job with no career path to a technical job with opportunities for upward mobility. Photo Credit: DOL/ETA

Costs associated with this performance goal rose four percent from PY 2007 to PY 2008, reflecting fluctuations in the timing of expenditures and the number of participants served.

market. The Department is working with the States to promote integration of participant assessments and data-driven career counseling into their service strategies – so that adults are enrolled in successful training and job search activities that align with areas of anticipated economic and job growth. Recovery Act funds can be used on all activities specified under the WIA Adult Program. To leverage these funds, DOL is encouraging One-Stop Career Centers to help eligible customers take advantage of the significant increase in Pell Grant funds also included in the Recovery Act. For more information, see http://www.recovery.gov/?q=content/program-plan&program_id=7627.

Analysis and Future Plans

The performance goal for the WIA Adult Program was achieved. The program reached all three of its performance indicator targets. The entered employment result of 68.1 percent was 1.9 percentage points above the target. Retention increased to 83.3 percent, 1.6 percentage points above the target. The six-month average earnings – $14,695 – exceeded the target by $1,833.



In PY 2009, DOL will focus on assisting participants with entry to career pathways that lead to middle-class jobs and strengthening strategic partnerships with businesses and the education community. Workforce solutions will be developed within the context of state and regional economies. DOL will continue to target placement of workers in high-demand sectors and occupations, and to emphasize occupational training and adult education – especially in green and health care occupations.

Indicator	*	What worked	What didn't work
Entered employment rate	Y	• Increased resources and staff capacity provided by Recovery Act funding enabled more individuals to receive intensive and training services. While the rate has dipped below 70 percent, the number of	

		individuals entering employment grew in PY 2008. • Analysis of the impacts of unemployment rates on workforce outcomes provided a basis for targets based on economic conditions.	
Employment retention rate	Y	• Worker re-training, layoff aversion efforts, and follow-up services have helped many individuals retain employment despite the challenging job market. Results show that individuals who are placed in employment appear to have a strong likelihood of keeping their jobs.	
Average earnings	Y	• Increases over the last three years indicate that participants are accessing quality jobs.	• While DOL has emphasized placing individuals in high demand occupations, it must increase efforts to place them in emerging fields such as renewable energy.
Program Performance Improvement Plan			
• Collaborate with the Department of Education to help leverage Adult Basic Education (ABE) and post-secondary education programs delivered through community colleges and other community organizations that provide such services. The workforce system will also help direct individuals to other available training funds, such as Federal Pell grants. These need-based grants to low-income undergraduate and certain post-baccalaureate students promote access to postsecondary education and can be a critical resource to help individuals attain the educational foundation necessary to secure future employment. • Leverage workforce development strategies such as career pathway approaches that more fully integrate basic skills (including English proficiency) and technical/occupational education to help individuals secure the skills necessary to escape poverty and succeed in emerging middle-class jobs. • Training services may also include: new contextual learning models that address learning deficiencies while providing occupational skills training and credential attainment; earn and learn strategies such as transitional jobs and on-the-job training; and bridge models that help workers connect to post-secondary education to achieve industry-recognized and transferable credentials and/or degrees. In addition, a host of supportive services including needs-related payments will be offered to make WIA Adult training more family-friendly.			

*Target reached (Y), improved (I), or not reached (N)

In 2010, WIA Adult Program's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality; and*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs.*

Program Assessments, Evaluations and Audits

Findings and recommendations from an assessment of the WIA Adult Program completed in 2005 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Conducting an evaluation to determine WIA services' impact on employment and earnings outcomes for participants*. An evaluation of the WIA programs using administrative data was completed in December 2008. A summary of the findings, recommendations, and actions is provided below. ETA also convened a Peer Review Board of independent researchers and stakeholders to review and provide comments on the design of the Workforce Investment Act Gold Standard Evaluation (WGSE). The review provided useful input on the contractor's evaluation design. ETA is continuing to refine the design and hopes to begin implementation of the evaluation in FY 2010. Additionally, in FY 2010, the Department is funding a study that will examine and compare existing participant outcome data by services (core, intensive, and training) provided through reports from the WIA Adult and Dislocated Worker programs, Wagner-Peyser Act Employment Service grants to states, and the Trade Adjustment Assistance program.
- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs.* An independent study

completed in PY 2008 recommended outcome-based efficiency measures for which the Department is collecting baseline data. These data will inform the selection of appropriate measures for each program. Additional research on setting performance standards and targets will be completed by December 2009.

- *Improving reporting efficiency, program management and accountability through the collection of new information with WISPR, a common reporting system for WIA, Trade Adjustment Assistance, and Wagner-Peyser Act Programs*. The Workforce Investment Streamlined Performance Reporting (WISPR) system was designed to streamline performance reporting. ETA remains committed to improving reporting efficiency and accountability; however, the agency will be reassessing its performance reporting approach in light of the impending reauthorization of WIA.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10003900.2005.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

<table>
<tr><th colspan="2">"Workforce Investment Act Non-Experimental Net Impact Evaluation," March 2009 (IMPAQ International, LLC)</th></tr>
<tr><td colspan="2">Relevance: This evaluation compares entered employment and average earnings outcomes of individuals in the Adult and Dislocated Worker programs to those of a non-participant comparison group.</td></tr>
<tr><td>Findings and Recommendations:
• This evaluation showed that the WIA Adult program helped participants (regardless of services received), on average, increase their quarterly earnings by several hundred dollars.
• Adult Program participants who obtain training services have lower initial earnings than those who do not receive training services. However, they catch up within 10 quarters, ultimately registering larger total earnings gains per quarter.
• The marginal benefits of training may exceed $400 in earnings each quarter for the average WIA Adult Program participant.</td><td>Actions:
• The report has been shared with stakeholders through the Department's Website.
• The results of the report were shared with workforce system practitioners and the workforce research community at the Recovery and Reemployment Research Conference on September 15-16, 2009.</td></tr>
<tr><td colspan="2">Additional Information: The report is available at http://wdr.doleta.gov/research/.</td></tr>
</table>

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[26] Refer to the Data Quality and Top Management Challenges section in Performance Goal 1C, which shares the same data collection system, for a discussion of improvement efforts.

Refer to the Data Quality and Top Management Challenges section in Performance Goal 1C for a discussion of the Department's efforts to address Recovery Act implementation challenges.

[26] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

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

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Performance Goal 08-2B (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		PY 2003 Goal Not Achieved	PY 2004 Goal Not Achieved	PY 2005 Goal Not Achieved	PY 2006 Goal Not Achieved	PY 2007 Goal Not Achieved	**PY 2008 Goal Not Achieved**
Percent of participants employed in the first quarter after exit	Target	78%	82%	83%	84%	79%	**71.0%**
	Result	82%	84%	83%	78%	73%	**67.7%****
	*	Y	Y	Y	N	N	**N**
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	88%	91%	89%	90%	89%	**84.7%**
	Result	90%	91%	88%	88%	87%	**85.9%****
	*	Y	Y	N	N	N	**Y**
Average earnings in the second and third quarters after exit (six months' earnings)	Target	—	—	—	$13,800	$14,410	**$14,888**
	Result	—	—	—	$14,265	$15,188	**$16,304****
	*	—	—	—	Y	Y	**Y**
Goal Net Cost (millions)		—	$1,472	$1,543	$1,409	$1,307	**$1,441**

Source(s): Annual State WIA performance reports (ETA-9091) and quarterly reports (ETA-9090).

Legacy Data: Some indicators not shown for PY 2003-05. Complete indicators, targets and results for PY 2003-05 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 05-4.1C.

Note: *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 DOL and by other Federal agencies. Costs are not allocated to the indicator level for employment, retention and earnings measures because program activities are not separable into categories associated with one or another.

Program Perspective and Logic

The Dislocated Worker Program offers employment and training services to individuals who have lost their jobs due to plant closings or mass layoffs. These workers are unlikely to return to employment in their previous industries and may include formerly self-employed individuals, and displaced homemakers dependent on the income that is no longer available from another family member. Eighty percent of funds are allocated by formula to the states. The Secretary of Labor may use the remaining 20 percent for discretionary activities, as specified under WIA, such as assistance (through the National Emergency Grants) to localities that experience plant closures, natural disasters, military base realignment and other major economic events that result in mass layoff of workers and job losses.

This program has assumed a critical role in developing locally and regionally-driven reemployment and training solutions at a time when mass layoffs are common. It offers a menu of services that include: job search assistance; career counseling; occupational skills training; on-the-job training; programs that combine workplace training and related instruction, including registered apprenticeship; skill upgrading and retraining; entrepreneurship training; job readiness training; adult education and literacy training; and customized training. All services seek to reemploy participants in high growth sectors offering the best opportunity for long-term job stability.

This program uses the Federal job training program common measures, which enable comparisons to be made to education, employment and job training programs that share similar core purposes. The Entered Employment Rate measures the success of participants in finding jobs, the Retention Rate demonstrates if a participant has employment stability, and the Average Earnings measure reflects job quality.

Milton was laid off in 2006 after 20 years as a computer programmer for a large Illinois insurance company. For the next year, he worked periodically as a consultant and day trader but felt pressure to find a stable position with benefits, particularly after his wife received notice that her company was planning layoffs. Milton had a Bachelor's degree in Computer Science, but since it was awarded in 1985, he believed he needed to update his skills in emerging programming and information technology methods. Through the Workforce Investment Act Dislocated Worker program, the Lake County Workforce Development Board provided Milton with training in Project Management and Computer Information Systems. After his training, he registered with Illinois Skills Match (job matching system) and was notified about a Computer Technology Specialist position with the local county government (Nineteenth Judicial Circuit). He was hired full-time for that position in March 2008. Milton thinks his new training made him stand out in the interview. He likes his new job because it is challenging and affords opportunities to apply his new skills. Photo Credit: DOL/ETA

Recovery Act

Workforce Investment Act Dislocated Worker. The Recovery Act made an additional $1.25 billion available to the WIA Dislocated Worker program for expanding services, as authorized by WIA, and using the same funding allocation formula. The Recovery Act calls for greater quantity and quality training services; States are expected to improve assessments and career counseling to place workers in high growth sectors with long term opportunities. States have the authority to enter into contracts with institutions of higher education, such as community colleges, or other eligible training providers to facilitate training multiple individuals for high-demand occupations as long as the contract does not limit customer choice. For more information, see http://www.recovery.gov/?q=content/program-plan&program_id=7556.

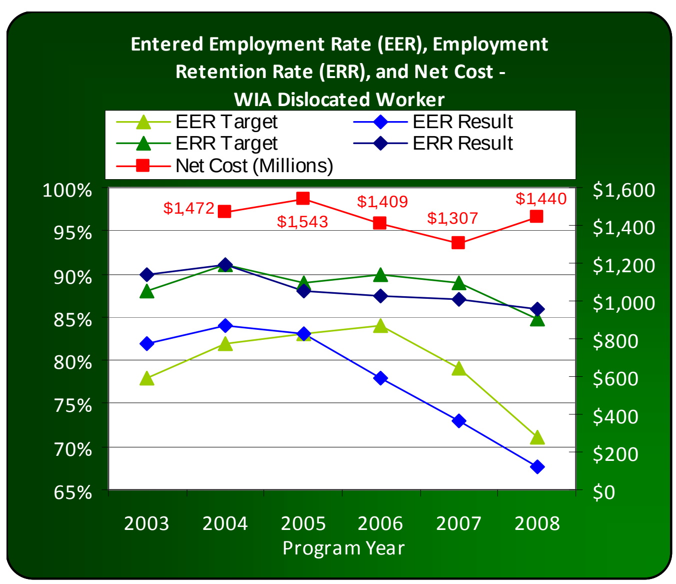
Dislocated Worker National Emergency Grants. The Recovery Act provides an additional $200 million for National Emergency Grants to aid in the recovery and reemployment of dislocated workers. DOL authorized two new types of NEGs that provide States and local areas with additional flexibility to use funds in a manner that is appropriate to their specific economic situation and labor markets. For more information, see http://www.recovery.gov/?q=content/program-plan&program_id=7568.

National Emergency Grants for Health Coverage Assistance. The Recovery Act also appropriated $150 million for NEGs to States funding 80 percent of the cost of qualifying health insurance coverage for workers who are certified for the Trade Adjustment Assistance (TAA) program. These funds provide temporary coverage until participants can be enrolled in the Health Coverage Tax Credit program. For more information, see http://www.recovery.gov/?q=content/program-plan&program_id=7568.

Analysis and Future Plans

The performance goal was not achieved. The entered employment rate was 3.3 percentage points below target, while the employment retention rate was 1.2 percentage points above target. Six-month average earnings increased from the PY 2007 level and the result was well above the target.

Costs associated with this performance goal increased by ten percent from PY 2007 to PY 2008. Expenditures increased commensurate with the demand for Dislocated Worker services due to rising unemployment and the increase in corporate layoffs nationwide. Access to Recovery Act funding allowed for these additional investments.



Training and other services funded by the Recovery Act advance employment opportunities for laid-off workers. DOL encourages States and local service providers to coordinate services to dislocated workers and to focus on education and skills training for high growth occupations. New projects include assistance to unemployed workers in starting small businesses, raising workers' education and skill levels, and occupational training.

Indicator	*	What worked	What didn't work
Entered employment rate	N	• The Recovery Act has provided increased resources and staff capacity to One-Stop Career Centers. More individuals are now able to receive intensive and training services which tend to yield better outcomes than basic self-services. While the rate has remained below 70 percent, more individuals have entered employment.	• Labor marker economic conditions reduced the number of job options available to program participants.
Employment retention rate	Y	• Worker re-training in the midst of substantial layoffs nationwide appears to have helped many individuals gain employment and, subsequently, retain employment. More individuals are receiving intensive and training services compared to previous years. And although the rate has dropped, retention remains at high levels.	
Average earnings	Y	• Wage increases suggest that individuals who left the program accessed higher quality jobs.	• While DOL has emphasized placing individuals in high demand occupations, it must increase efforts to place them in emerging fields such as renewable energy.
Program Performance Improvement Plan			
• Continue to implement a more proactive model of pre- and post-layoff services to impacted workers. Comprehensive skills assessments, improved workforce information and career guidance, and improved access to post-secondary education will all be incorporated. The goal of this model is to provide opportunities for individuals to acquire the skills and knowledge needed to become employable in middle-class jobs and enable regions to respond proactively to economic events and changing workforce development needs. • Encourage States to assess the skills, abilities, and career goals of all eligible dislocated workers. This assessment should help the workforce system better map the skills of dislocated workers against current and anticipated high growth sectors, including green industry sectors. This approach will be particularly important as local industries reposition for growth in the aftermath of permanent layoffs and plant closures.			

*Target reached (Y), improved (I), or not reached (N)

In 2010, WIA Dislocated Worker Program's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality;*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs; and*
- *Helping middle-class families remain in the middle-class.*

Program Assessments, Evaluations and Audits

Findings and recommendations from a Workforce Investment Act Dislocated Worker Assistance assessment completed in 2003 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Conducting an evaluation to determine WIA services' impact on employment and earnings outcomes for participants.* An evaluation of the WIA programs using administrative data was completed in December 2008. A summary of the findings, recommendations, and actions is provided in the WIA Adult goal narrative. ETA also convened a Peer Review Board of independent researchers and stakeholders to review and provide comments on the design of the Workforce Investment Act Gold Standard Evaluation (WGSE).

The review provided useful input on the contractor's evaluation design. ETA is continuing to refine the design and hopes to begin implementation of the evaluation in FY 2010. Additionally, in FY 2010, the Department is funding a study that will examine and compare existing participant outcome data for different services (core, intensive, and training) provided by the WIA Adult and Dislocated Worker programs, the Wagner-Peyser Act Employment Service, and the Trade Adjustment Assistance program.

- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs*. An independent study completed in PY 2008 recommended outcome-based efficiency measures for which the Department is collecting baseline data. These data will inform the selection of appropriate measures for each program. Additional research on setting performance standards and targets will be completed by December 2009.
- *Improving reporting efficiency, program management and accountability through the collection of new information with WISPR, a common reporting system for WIA, Trade Adjustment Assistance, and Wagner-Peyser Act Programs*. The Workforce Investment Streamlined Performance Reporting (WISPR) system, designed to streamline performance reporting for the WIA Title I programs, Wagner-Peyser Act funded services, and the Trade Adjustment Assistance program, was scheduled for implementation on July 1, 2009. However, WISPR was not implemented. ETA will be reassessing its performance reporting approach in light of the impending reauthorization of WIA.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10000330.2003.html.

In 2007, the Dislocated Worker National Emergency Grants program was assessed. FY 2009 progress on the resulting improvement plan is summarized below.

- *Developing a formalized prioritization system to process the most important grants more quickly.* ETA has drafted a standard operating procedure (SOP) for processing NEG applications reflecting a policy of first-in, first-out, with the exception of disaster NEGs, which are given priority. The next draft will incorporate disaster NEG priority and add a process flow diagram.
- *Initiating an evaluation of sufficient scope and quality to evaluate overall program effectiveness.* Funding to support an independent evaluation was not available in PY 2007 and PY 2008, as a result of limited discretionary resources for the Agency as a whole. The Department will continue to explore the possibility of funding an evaluation.
- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs*. See the identical item for the 2003 assessment of the Dislocated Worker program above.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10009003.2007.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

<table>
<tr><th colspan="2">"Workforce Investment Act Non-Experimental Net Impact Evaluation," March 2009 (IMPAQ International, LLC)</th></tr>
<tr><td colspan="2">Relevance: This evaluation compares entered employment and average earnings outcomes of individuals in the Adult and Dislocated Worker programs to those of a non-participant comparison group.</td></tr>
<tr><td>Findings and Recommendations:
• The evaluation showed that dislocated workers are likely to face serious difficulties in obtaining reemployment, and the kind of services WIA offers may require time to produce impacts.
• The estimates imply that program participants' earnings do not reach the level of earnings of comparable non-participants until more than two years after participation. Overall, it appears possible that ultimate gains from participation are small or nonexistent. Insofar as there are impacts, females are more likely to benefit than are males.
• When evaluating employment, estimates of WIA Dislocated Worker program impacts are more supportive.</td><td>Actions:
• The report has been shared with stakeholders through the Department's Website.
• The results of the report were shared with workforce system practitioners and the workforce research community at the Recovery and Reemployment Research Conference on September 15-16, 2009.</td></tr>
<tr><td colspan="2">Additional Information: The report is available at http://wdr.doleta.gov/research/.</td></tr>
</table>

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[27] Refer to the Data Quality and Top Management Challenges section in Performance Goal 1C, which shares the same data collection system, for a discussion of improvement efforts.

Refer to the Data Quality and Top Management Challenges section in Performance Goal 1C for a discussion of the Department's efforts to address Recovery Act implementation challenges.

[27] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

Improve outcomes for job seekers who receive Employment Services through the One-Stop Career Centers and virtual workforce resources.

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Performance Goal 08-2C (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		PY 2003 Goal Achieved	PY 2004 Goal Not Achieved	PY 2005 Goal Achieved	PY 2006 Goal Not Achieved	PY 2007 Goal Achieved	**PY 2008 Goal Not Achieved**
Percent of participants employed in the first quarter after exit	Target	58%	58%	61%	64%	61%	**60.3%**
	Result	61%	64%	63%	60%	64%	**59.8%****
	*	Y	Y	Y	N	Y	**N**
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	72%	72%	78%	81%	78%	**78.6%**
	Result	80%	81%	80%	77%	81%	**79.7%****
	*	Y	Y	Y	N	Y	**Y**
Average earnings in the second and third quarters after exit (six months' earnings)	Target	—	—	—	$10,500	$11,870	**$10,708**
	Result	—	—	—	$11,576	$12,763	**$11,074****
	*	—	—	—	Y	Y	**Y**
Goal Net Cost (millions)		—	$831	$884	$749	$732	**$699**

Source(s): Quarterly Labor Exchange Reporting System reports included in the Enterprise Business Support System and Unemployment Insurance records.

Legacy Data: Some indicators not shown for PY 2003-06. Complete indicators, targets and results for PY 2003-06 are available in the FY 2007 report at http://www.dol.gov/_sec/media/reports/annual2007/SG2.htm. See Performance Goal 06-2C.

Note: *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 DOL and by other Federal agencies. Costs are not allocated to the indicator level for employment, retention and earnings measures because program activities are not separable into categories associated with one or another.

Program Perspective and Logic

A fundamental underpinning of the nation's One-Stop Career Centers is the Employment Service's delivery of core employment and workforce information services to businesses and job seekers. Principally funded through the Wagner-Peyser Act, as amended by the Workforce Investment Act of 1998, these services are designed to help both employed and unemployed workers obtain jobs in high-demand occupations. The Employment Service does not provide training; it provides universal access to workforce and labor market information, job search assistance, job matching and referrals, and career guidance. These services are provided in collaboration with a wide array of workforce investment partner programs that provide training, child care, transportation, and customized services to clients with unique needs such as unemployment insurance claimants, veterans, and migrant and seasonal farm workers. In the year ending June 30, 2009, the Employment Service assisted 18 million participants, approximately two million more than the previous year.

The Department strongly encourages States and local areas to provide job seekers with comprehensive workforce and labor market information and career guidance that will help them make informed employment, education and training decisions that consider growth opportunities in addition to immediate needs. These services support the Department's goal of assisting workers in low-wage jobs and those who may be out of the labor market find a path to middle class jobs. One-Stop Career Center services also facilitate employment connections that enable middle class workers to remain in high-quality jobs matching their skill level.

The Department uses the common measures for Federal employment and job training programs to evaluate the effectiveness of its core employment and workforce information services. Common measures, including the entered employment rate, the employment retention rate and average earnings, enable comparisons to be made for employment and job training programs that share similar purposes. Collectively, these measures help gauge the workforce system's ability to match individuals who are seeking employment with employers who need their skills.

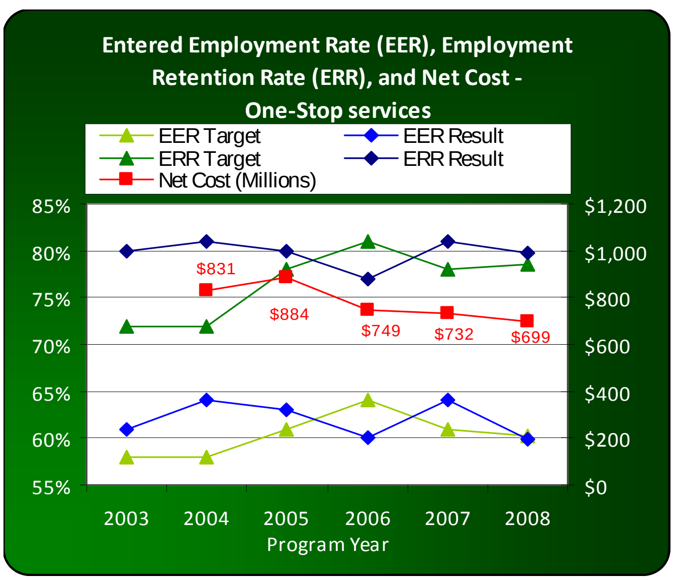
Mark, a retired U.S. Navy veteran, was seeking an education and career pathway that would lead to financial security. After graduating from the South Dakota School of Mines and Technology with a Bachelor's Degree in December 2008, he utilized the One Stop to better understand career options and to enhance his job placement opportunities. Staff members were so impressed with his computer and technical skills that they offered him a part-time position. Based on his performance in that job, Mark was hired by the South Dakota Department of Labor for a full-time position on the Veterans' Employment Team in April 2009. Way to go, Mark! Photo Credit: South Dakota Department of Labor

Recovery Act

The Recovery Act made an additional $150 million available for Employment Service Operations, plus $250 million for targeted reemployment services to unemployment insurance claimants. States are using these funds to provide more people access, through the network of One-Stop Career Centers, to employment and workforce information, and to provide a greater variety of core and intensive services. The Recovery Act also supports information technology enhancements that allow for better communication between Unemployment Insurance (UI) claimants and One-Stop Career Centers. One promising technology allows UI staff to better match a claimant's skill set to related job openings. Other enhancements may improve State job banks, and provide more robust workforce information that informs customers about industry-specific market conditions and occupations in high-growth industries, as well as green jobs. For more information, see http://www.recovery.gov/?q=content/program-plan&program_id=7681.

Analysis and Future Plans

The performance goal was not achieved. Targets for employment retention and average earnings were reached with results 1.1 percentage points and $366 above their respective targets. The entered employment rate result was only 0.5 percentage points below the target.



To encourage effective workforce system responses to the current economic challenges, DOL held several regional reemployment conferences for the workforce investment community during the summer of 2009. The conferences help the Employment Service implement strategies intended to enhance program performance by, for example, improving the reemployment function, customer understanding and use of local labor market information, and assessments of customers' knowledge or technical skills gaps. Job retention rates and overall employment stability should increase as the economy recovers and as additional permanent jobs are created.

Costs associated with this performance goal decreased by four percent from PY 2007 to PY 2008. The decrease in expenditures reflects the fluctuation of normal spending and participants served from year to year.

Indicator	*	What worked	What didn't work
Entered employment rate	N	• Labor market information improvements continued to be critical to helping maintain entered employment outcomes despite the recession and lack of job openings. Jobseekers found employment at somewhat similar rates over the past five years.	• Increased layoffs and general employment instability accounted for part of the decline.
Employment retention rate	Y	• The result exceeded the PY 2008 target by a little over one percentage point. ETA considers this to be a positive result given the current economic climate.	
Average earnings	Y	• Participants who received labor market information on jobs in demand likely increased their knowledge about quality, middle-class jobs. Despite the current economic slowdown, participants' six months' average earnings exceeded the target by almost $400.	• While DOL has emphasized placing individuals in high demand occupations, it must increase efforts to place them in green jobs funded by the Recovery Act.
Program Performance Improvement Plan			
• Support jobseekers connecting to middle class jobs. The Department has proposed targeted technical assistance for pathways out of poverty. This technical assistance will be aimed at One-Stop Career Center staff and provide them the tools to help them move more at-risk, low-income customers into higher quality job opportunities. • Help job seekers understand the local labor market – which jobs are in demand and which jobs are emerging due to new infrastructure spending such as green jobs. • Continue to offer job search assistance such as resume writing and interviewing skill development and assessments and testing to identify skill matches and gaps. • Provide employers labor market information, One-Stop resources such as job fairs and interviewing space, workforce professionals to help recruit and screen qualified workers, and services for workers being displaced when an employer is faced with downsizing or closure of their business.			

*Target reached (Y), improved (I), or not reached (N)

In 2010, Employment Service system's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality; and*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs.*

Program Assessments, Evaluations and Audits

Findings and recommendations from an Employment Service assessment completed in 2004 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Tracking the levels of self-service participants versus staff assisted participants to improve workforce system integration.* DOL provided technical assistance to States on Wagner Peyser Act reporting and included self-service reporting among topics for quarterly meetings with stakeholders. Also, Recovery Act performance reporting for Reemployment Services includes detailed data by service type (self-service or staff-assisted).
- *Improving reporting efficiency, program management and accountability through the collection of new information with WISPR, an integrated, streamlined reporting system for WIA, Trade Adjustment Assistance, and Wagner-Peyser Act and Jobs for Veterans Act state grants.* The Workforce Investment Streamlined Performance Reporting (WISPR) system, designed to streamline performance reporting for the WIA Title I programs, Wagner-Peyser Act funded services, and the Trade Adjustment Assistance program, was scheduled for implementation on July 1, 2009. However, WISPR was not implemented. ETA will be reassessing its performance reporting approach in light of the impending reauthorization of WIA.
- *Implementing efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs*. An independent study completed in PY 2008 recommended outcome-based efficiency measures for which the Department is collecting baseline data. These data will inform the selection of appropriate measures for each program. Additional research on setting performance standards and targets will be completed by December 2009.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10002376.2004.html.

"Evaluation of Labor Exchange Services in a One-Stop Delivery System Environment," December 2008 (WESTAT)	
Relevance: This study of the computerized job-matching system and management styles employed at One-Stop Career Centers offers steps that can be taken to improve the quality of services and data.	
Findings and Recommendations: • Public labor exchanges provide valuable job-matching services by referring job seekers to job openings. • High-quality services and integration were found in States with and without traditional funding silos. • Effective One-Stop integration was achieved by authorizing one manager to unify operations by selecting staff from different agencies to coordinate services as a team, and to evaluate their performance. • Devolving control to local areas greatly diminished use of statewide computerized systems, and increased job development geared to the needs of WIA target groups vs. the general population of job seekers and employers.	***Actions:*** • ETA has disseminated the findings to States and local areas via the DOLETA.gov Website, as most of the recommendations are applicable at the States and local levels. • The recommendation that ETA create a reporting system that improves the coverage and accuracy of the delivery of core services will be considered during review of the performance measures in preparation for WIA reauthorization.
Additional Information: The full report is available at http://wdr.doleta.gov/research/FullText_Documents/Evaluation%20of%20Labor%20Exchange%20in%20One-Stop%20Delivery%20System%20-%20Final%20Report.pdf.	
"Evaluation of Strengthening the Connections between Unemployment Insurance and the One-Stop Delivery Systems Project in Wisconsin," January 2009 (Berkeley Policy Associates)	
Relevance: Research of reemployment methods in a demonstration project yielded useful lessons and strategies to improve the coordination of services to Unemployment Insurance (UI) claimants.	
Findings and Recommendations: • The demonstration project succeeded in increasing collaboration between the State's UI and Job Service divisions through both its data sharing component and its implementation of expanded reemployment services and eligibility reviews of UI claimants. • Demonstration participants drew UI benefits for a shorter period of time and had higher average quarterly earnings than did comparison group members. • The use of specific services such as assessments, job referrals, one-on-one services, and client follow-up improved participants' likelihood of entering employment, decreasing claims of UI benefits, and increasing quarterly earnings.	***Actions:*** • ETA has disseminated the findings to State and local areas via the DOLETA.gov Web site, as most of the recommendations are applicable at the State and local levels. • TEGL 14-08 encourages States to "develop close partnering relationships between UI and One-Stops." • These recommendations will inform the Administration's WIA re-authorization guidelines.
Additional Information: http://wdr.doleta.gov/research/keyword.cfm?fuseaction=dsp_resultDetails&pub_id=2396&mp=y.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[28] While verification remains an area for improvement, extensive efforts have been directed toward improving data quality through the use of ETA's data validation system and monitoring at both the national and regional levels (see the Top Management Challenges in the Other Accompanying Information section). The validation initiative for the Employment Service is based on a sample approach that provides the most logical, administratively feasible, and cost effective means of validation due to the large number of participants, roughly 18 million, who receive core services. All States completed requirements for data element validation and submitted summaries and analytical reports to ETA. Those files that were randomly selected as part of the sample were reviewed to ensure that the data collected were complete, accurate and verifiable. Refer to the Data Quality and Top Management Challenges section in Performance Goal 1C for a discussion of the Department's efforts to address Recovery Act implementation challenges.

[28] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

Assist older workers to participate in growth industries through the Senior Community Service Employment Program

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Performance Goal 08-2D (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		PY 2005 Goal Not Achieved	PY 2006 Goal Not Achieved	PY 2007 Goal Substantially Achieved	**PY 2008 Goal Not Achieved**
Percent of participants employed in the first quarter after exit	Target	55%	38%	33%	**49.2%**
	Result	33%	32%	52%	**47.9%****
	*	N	N	Y	**N**
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	65%	48%	67%	**69.1%**
	Result	73%	66%	71%	**70.6%****
	*	Y	Y	Y	**Y**
Average earnings in the second and third quarters after exit (six months' earnings)	Target	baseline	baseline	$6,775	**$6,360**
	Result	—	$6,704	$6,713	**$6,782****
	*	N	—	I	**Y**
Goal Net Cost (millions)		$432	$444	$479	**$543**

Source(s): Quarterly reports from the SCSEP Performance and Results Quarterly (SPARQ) performance reporting system.

Note: *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 DOL and by other Federal agencies. Costs are not allocated to the indicator level for employment, retention and earnings measures because program activities are not separable into categories associated with one or another of them.

Program Perspective and Logic

The aging of the baby boomer generation presents challenges and opportunities to SCSEP. This program taps unemployed, low-income older workers for community service while also promoting self-sufficiency by providing participants with part-time work-based training that may lead to placements into unsubsidized jobs. Program participants work an average of 20 hours a week at non-profit and public facilities such as day-care centers, senior centers, schools and hospitals, and are paid the highest of Federal, State or local minimum wage, or the prevailing wage. These community service experiences can serve as a bridge to employment positions that are not supported with Federal funds. SCSEP formula grants to States and competitively awarded grants to public and private non-profit organizations fund positions for about 90,000 low-income workers age 55 and older. Grantees coordinate activities in partnership with nearly 3,000 comprehensive and affiliate One-Stop Career Centers nationwide.

DOL measures SCSEP success using the Federal job training program common measures (entered employment rate, employment retention rate and average earnings) to enable comparisons with education, employment and job training programs

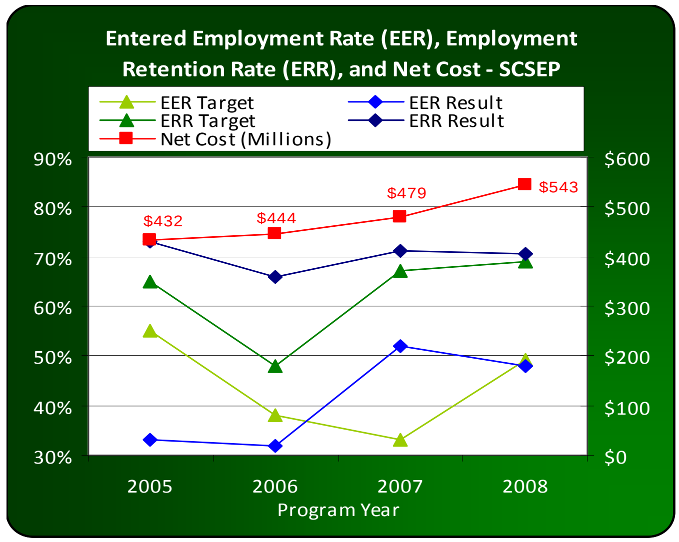
Kathy, a resident of Moundsville, WV, sought part-time employment to support her community and supplement her income. She found a program for older workers sponsored by the National Council on Aging and funded by the Senior Community Service Employment Program. Upon enrollment, she was assigned to a childcare center in Glen Dale, WV. She then discovered that she was eligible for the State Childcare Worker Certification. Training at the center afforded Kathy the opportunity to pursue licensure as part of her professional development. The center was so pleased with her work that they hired her for a full-time, unsubsidized position three months later. Kathy has proven to be an invaluable asset to the center, continues to build her resume, and "loves every minute of it!" Photo Credit: DOL/ETA that share similar purposes. These indicators measure participants' improved financial opportunity, stability of their new positions in unsubsidized employment, and effectiveness of training services, respectively. Targets for these measures are negotiated with each grantee based on past and projected outcomes, improvements in program design, and external economic factors.

Recovery Act

The Recovery Act provided an additional $120 million to current grantees, allocated in proportion to their regular SCSEP allotments in Program Year 2008. Grantees will have until June 30, 2010, to recruit new SCSEP participants, place them in community service employment assignments, and find jobs for as many of them as possible. For more information, see http://www.recovery.gov/?q=content/program-plan&program_id=7569.

Analysis and Future Plans

The SCSEP performance goal was not achieved. The entered employment rate fell 1.3 percentage points below the target. However, the employment retention rate and six-month average earnings were 1.5 percentage points and $422 above their targets, respectively. DOL is currently focused on ensuring that SCSEP grantees manage their Recovery Act grants adequately in order to expend all funds and provide an economic stimulus to communities where SCSEP participants reside. Further performance improvements will partially hinge on finalizing testing and gaining access to UI wage records. Preliminary test runs matching participant records to UI wage records have yielded higher results for all three measures.



Costs associated with this performance goal increased by 13 percent from PY 2007 to PY 2008. The increase was primarily due to federal and state minimum wage increases which took effect at the beginning of July 2008.

Indicator	*	What worked	What didn't work
Entered employment rate	N	Communication with, and technical assistance to, grantees has improved greatly for several reasons: • Improved monitoring by the regional FPOs has helped grantees to do a better job documenting their performance. • The Older Worker Team conducts monthly teleconferences with the SCSEP FPOs regarding grantee performance and policy issues. • The Team also conducts monthly all-grantee calls with an emphasis on fielding policy and performance questions from grantee representatives. • We have established a SPARQ Users Group of grantee representatives who serve as a source of advice to DOL staff persons and contractors maintaining and improving the SCSEP data collection system.	• Older worker participants' entered employment rate is hindered by the continued recession and associated high levels of unemployment. • Improving territorial grantees' record-keeping and performance continues to be a major obstacle – even after on-site technical assistance is provided. • Program managers have been focused on Recovery Act grants and rapid expenditure of stimulus funds. Grantees have likewise been focused on enrolling and assisting thousands of additional participants. As a result, some resources have likely been diverted from job placement.
Employment retention rate	Y		
Average earnings	Y		
Program Performance Improvement Plan			
• Continue to work on reconciling SCSEP records with the Wage Record Interchange System (WRIS) and to gain access to more unemployment insurance wage records for PY 2010, to yield more accurate and complete data.			

• Continue to build on our excellent communication with grantees. • Develop webinars as a tool for technical assistance and outreach.

*Target reached (Y), improved (I), or not reached (N)

In 2010, SCSEP's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality;*
- *Assuring skills and knowledge that prepare workers to succeed in a knowledge-based economy, including in high growth and emerging industry sectors like "green" jobs; and*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs.*

Program Assessments, Evaluations and Audits

Findings and recommendations from a Senior Community Service Employment Program assessment completed in 2003 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Implementing efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs.* An independent study completed in PY 2008 recommended outcome-based efficiency measures for which the Department is collecting baseline data. These data will inform the selection of appropriate measures for each program. Additional research on setting performance standards and targets will be completed by December 2009.
- *Publishing a final rule to implement the 2006 Older Americans Act amendments.* In 2008, DOL published the proposed rule. Publication of the final rule is expected in May 2010.

More information is at http://www.whitehouse.gov/omb/expectmore/summary/10000328.2003.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

"Senior Community Service Employment Program Antideficiency Act Violation," November 2008 (OIG)	
Relevance: OIG found that an Antideficiency Act (ADA) violation occurred when the Department carried over SCSEP funds from one year to the two succeeding years, in violation of appropriations law restricting the use of program funds to the current fiscal year. The amount of the ADA violation was $37,446,115.	
Findings and Recommendations: • SCSEP was using recaptured funds to pay for contractor-provided technical assistance. Legal alternatives are the 1.5 percent set-aside of formula funds authorized by the 2006 Amendments to the Older Americans Act and ETA's Program Administration account.	***Actions:*** • OIG worked with ETA officials to reconcile the amounts of SCSEP funds that were recaptured, re-obligated, and expended.
Additional Information: The report (No. 25-09-001-03-360) is available at http://www.oig.dol.gov/.	

Data Quality and Top Management Challenges

The data quality for this performance goal is rated *Very Good*.[29] Grantees will be held accountable for validating reported data beginning in PY 2009. DOL has implemented edit and logic checks, a data quality report, and various management reports to ensure data submitted by the grantees into the SCSEP Performance and Results Quarterly (SPARQ) Project Report System are verifiable. Finally, the Department is pursuing access to unemployment insurance wage records to improve data accuracy and process efficiency.

Refer to the Data Quality and Top Management Challenges section in Performance Goal 1C for a discussion of the Department's efforts to address Recovery Act implementation challenges.

[29] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

Assist workers impacted by international trade to better compete in the global economy through the Trade Adjustment Assistance Program.

eta

Performance Goal 09-2E (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2004 Goal Not Achieved	FY 2005 Goal Not Achieved	FY 2006 Goal Achieved	FY 2007 Goal Achieved	FY 2008 Goal Not Achieved	**FY 2009 Goal Achieved**
Percent of participants employed in the first quarter after exit	Target	70%	70%	70%	70%	73%	**65.2%**
	Result	63%	70%	72%	70%	69%	**70.0%****
	*	N	Y	Y	Y	N	**Y**
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	88%	89%	85%	85%	91%	**87.5%**
	Result	89%	91%	90%	88%	90%	**89.0%****
	*	Y	Y	Y	Y	I	**Y**
Average earnings in the second and third quarters after exit (six months' earnings)	Target	—	—	—	Baseline	$14,050	**$13,386**
	Result	—	—	—	$13,914	$14,281	**$13,967****
	*	—	—	—	—	Y	**Y**
Goal Net Cost (millions)		—	$846	$700	$805	$755	**$481**

Source(s): Trade Act Participant Report (TAPR) included in the Enterprise Business Support System (EBSS), Quarterly Determinations, Allowance Activities and Employability Services, and Unemployment Insurance wage records.

Legacy Data: Some indicators not shown for FY 2004-06. Complete indicators, targets and results for FY 2004-06 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 06-4.1B.

Note: *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 DOL and by other Federal agencies. Costs are not allocated to the indicator level for employment, retention and earnings measures because program activities are not separable into categories associated with one or another. The goal was reported as not achieved in the FY 2006 report; corrections to data for two of the three indicators changed this result.

Program Perspective and Logic

The Trade Adjustment Assistance (TAA) Program provides training, income support, and related assistance to workers who lose their jobs due to increased imports or shifts in production to foreign countries. The program's primary goal is to return workers to suitable employment. The TAA Program is one component of integrated services available through the nationwide network of One-Stop Career Centers, including those funded under the WIA Adult and Dislocated Worker Programs and the Wagner-Peyser Act. The comprehensive readjustment services and benefits offered by the TAA Program include out-of-area job search and relocation assistance; training that can include occupational, on-the-job and remedial training; income support; and access to Health Coverage Tax Credit benefits. The One-Stop system provides counseling, assessment, and placement services for TAA participants.

The TAA program's success is measured by the extent to which it helps individuals regain economic self-sufficiency by quickly securing and maintaining employment. Economic factors, such as the compatibility of skills in the available labor force with needs of new businesses, contribute importantly to reemployment. Therefore, TAA continues to pursue a regional workforce investment strategy designed to create more employment opportunities that reach more workers and improve access to training. DOL measures the performance of this program with the Federal job training program common measures which enable the comparison of the TAA Program's results to those of similar education, employment and job training programs. Also, use of common measures removes a barrier to service integration among programs by ensuring that similar definitions and methodologies are used for measuring performance. The common measures are entered employment, employment retention, and average earnings.

José's story is a prime example of how TAA helps determined American workers compete. After working for seven years at a large lumber mill, José was laid off when his employer ceased operations. After his company was certified for TAA, José enrolled in an instrumentation mechanic training program. TAA provided tuition, funding for tools, books and fees, and income support during training so he could concentrate on his studies. Over the next two years, José's hard work and dedication earned him a cumulative grade point average of 3.50. Six weeks before graduation in June 2009, he was offered employment as an instrumentation mechanic with a large petroleum refinery. He now earns twice the hourly wage he was making just two years ago as a lumber mill forklift operator. José credits TAA for assisting him in his time of need and helping him turn adversity into success. For that, José says "Thank You!" Photo Credit: DOL/ETA

Recovery Act

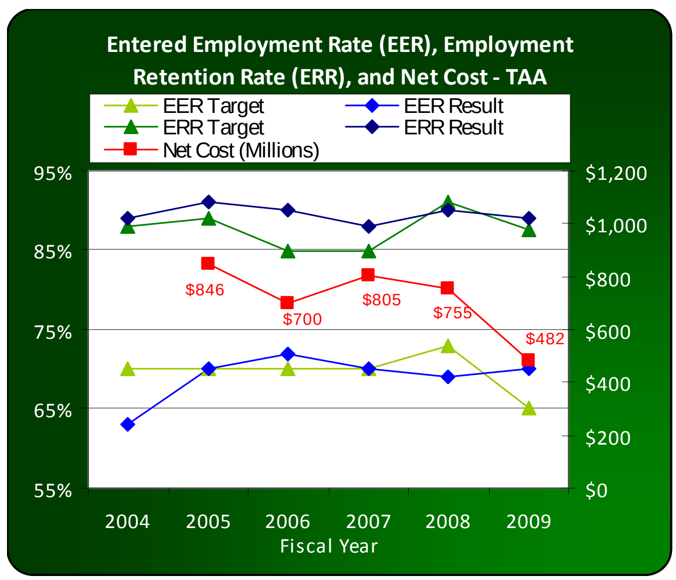
Division B of the Recovery Act included the Trade and Globalization Adjustment Assistance Act (TGAAA) of 2009, which expanded eligibility for benefits to Service Workers, Public Employees, and workers who produce component parts of the finished products. The annual funding cap for training services was raised from $220 million to $575 million. In addition, for petitions filed on or after May 18, 2009, TGAAA added 26 weeks of additional Trade Readjustment Allowances – income support to eligible workers who have exhausted their entitlement to Unemployment Compensation benefits.

Analysis and Future Plans

TAA achieved its performance goal. The entered employment rate was almost five percentage points above the target of 65.2 percent, the retention rate was 1.5 points above the target of 87.5 percent, and six-month average earnings were $581 above the target of $13,386.

Net costs of TAA activities decreased by 36 percent from FY 2008 to FY 2009 due to decreased utilization of the TAA income support component. Trade affected workers are also eligible for Unemployment Insurance (UI) benefits, which are provided in lieu of TAA income support and were significantly expanded and extended in FY 2009.

DOL plans further implementation of the extensive changes contained in the 2009 Amendments – for example, guidance and training for State staff who deliver services to trade affected workers. Another priority is developing the capability to process the significantly increased flow of petitions. Although the Department hired and trained new staff for the surge in workload, they have been unable to keep up with the accelerating volume of petitions filed under the new provisions that became effective on May 18, 2009. Consequently, TAA enters FY 2010 with a significant backlog.



Indicator	*	What worked	What didn't work
Entered employment rate	Y	• Monthly conference calls with all six Regions. • Reporting focus at Regional Roundtables for State Workforce Agency staff.	• The economic downturn and higher unemployment rate had a negative impact.
Employment retention rate	Y		
Average earnings	Y		

Program Performance Improvement Plan
• Continue to focus on obtaining timely and accurate data. The 2009 Amendments required an extensive revision to the data collection component of State reporting. Implementing those changes and the transparency and accountability they foster, should result in a greater focus on meeting performance goals by State Workforce Agency staff.

*Target reached (Y), improved (I), or not reached (N).

In 2010, TAA's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality; and*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs; and*
- *Helping middle-class families remain in the middle-class.*

Program Assessments, Evaluations and Audits

Findings and recommendations from a Trade Adjustment Assistance assessment completed in 2007 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Adjusting the formula for allocating training funds to the States to better reflect the current need for training*. TGAAA modified the funding formula under which States receive allocations for training services for trade affected workers to apply four factors: (1) the number of workers covered by certifications of eligibility during the most recent four consecutive calendar quarters; (2) the number of workers participating in training during the most recent four consecutive calendar quarters; (3) the number of workers estimated to be participating in training during the fiscal year; and (4) the amount of funding estimated to be necessary to provide approved training during the fiscal year. In addition, the 85 percent hold harmless factor – a guarantee of funding based on the amount received in the prior year – was reduced to 25 percent to better reflect current need, rather than historical usage.
- *Developing an internal review process to verify the accuracy of trade petition certifications and denials*. Options for developing a trade petition quality review component are being considered. However, due to the extensive implementation needs presented by program reauthorization, which included changes in the certification and denial criteria, the Department has deferred developing this process until the parameters of the new certification process are in place and fully operational.
- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs.* An independent study completed in PY 2008 recommended outcome-based efficiency measures for which the Department is collecting baseline data. These data will inform the selection of appropriate measures for each program. Additional research on setting performance standards and targets will be completed by December 2009.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10000340.2007.html.

No independent evaluations or audits were completed in FY 2009.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Fair*.[30] TAA data meet the threshold criteria of accuracy and relevance but do not yet satisfy the other criteria (timely, complete, valid, reliable, and verifiable). Based upon new requirements for data collection and reporting contained in the TGAAA, DOL has developed a new performance reporting system to provide more timely and accurate data. States will begin reporting under the new system during FY 2010. DOL will continue to require data validation by States, to monitor the data elements reported, and to take action on inconsistent responses requesting explanation or correction. Under the 2009 Amendments, States' reported data will be published on the ETA Web site and those States with missing data will be identified as delinquent – which provides an incentive for States to report accurately.

[30] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

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Address worker shortages through Foreign Labor Certification Programs.

Performance Goal 09-2F (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2005 Goal Not Achieved	FY 2006 Goal Not Achieved	FY 2007 Goal Not Achieved	FY 2008 Goal Substantially Achieved	**FY 2009 Goal Not Achieved**
Percent of H-1B applications processed within seven days of the filing date for which no prevailing wage issues are identified	Target	100%	100%	100%	100%	**100%**
	Result	100%	100%	98%	100%	**100%****
	*	Y	Y	N	Y	**Y**
	Cost	—	—	—	—	—
Percent of employer applications for permanent labor certification under the streamlined system that are resolved within six months of filing	Target	baseline	60%	65%	75%	**92%**
	Result	57%	86%	74%	92%	**19%****
	*	Y	Y	Y	Y	**N**
	Cost	—	—	—	—	—
Percent of accepted H-2A applications with no pending State actions processed within 15 days of receipt and 30 days from the date of need	Target	—	95%	95%	60%	**61%**
	Result	—	53%	55%	56%	**46%****
	*	—	N	N	I	**N**
	Cost	—	—	—	—	—
Percent of the H-2B applications processed within 60 days of receipt	Target	90%	90%	90%	64%	**71%**
	Result	85%	82%	62%	71%	**33%****
	*	N	N	N	Y	**N**
	Cost	—	—	—	—	—
Goal Net Cost (millions)		$60	$46	$63	$40	**$54**

Source(s): Automated processing systems and fax/mail processing system.

Legacy Data: Some indicators not shown for FY 2005. Complete indicators, targets and results for FY 2005 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 06-4.1A.

Note: *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 DOL and by other Federal agencies.

Program Perspective and Logic

Before a foreign worker may obtain employment in the United States under certain visa programs, the Immigration and Nationality Act requires that the Secretary of Labor certify to the Secretaries of Homeland Security and State that the employment of the foreign worker will not adversely affect the wages and working conditions of U.S. workers similarly employed. Employers who wish to hire a foreign worker on a permanent basis, and many employers seeking to hire foreign workers for temporary jobs, must first test the labor market for available U.S. workers. Labor certifications issued by the Department support employers' petitions, filed with the U.S. Citizenship and Immigration Services, to authorize employment of foreign workers under temporary visas (such as H-2A and H-2B) or under permanent, employment-based visas which may lead to lawful permanent residency.

Performance indicators are tied to statutory, regulatory, or internal processing requirements for Foreign Labor Certification programs. For example, the indicator for the permanent labor certification program measures the percent of employer applications for labor certification resolved within six months of filing. The other three performance indicators measure responsiveness to employers' time-sensitive demand for permission to hire temporary workers by tracking applications processed with ranges of seven to sixty days. Targets are based on performance information, data analysis, and anticipated application caseloads.

Analysis and Future Plans

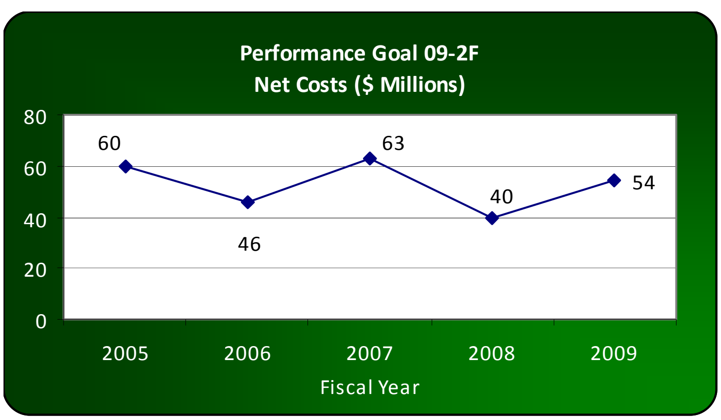
The goal was not achieved. Only the H-1B Specialty Occupations Program reached its target for processing all applications within the statutory seven-day time frame. Results for the other three programs were well below their targets; processing times significantly increased due to new procedures designed to strengthen program integrity.

Only 19 percent of permanent labor certification program applications were processed within six months. Processing times for the permanent program were significantly impacted in FY 2009 by implementation of Permanent Electronic Review Management (PERM) integrity actions related to the 2007 Fraud Rule, which included new requirements and prohibitions for petitioners. The Department took aggressive action to ensure the integrity of the online application process – including filters to identify applications for audit; supervising recruitment for employers, when appropriate; and referring matters to the Office of Inspector General.

Performance of both the H-2A Temporary Agricultural Program and the H-2B Temporary Program for Non-Agricultural Seasonal Workers declined from FY 2008. The result for H-2A was 15 percentage points below target while the result for the H-2B performance measure was 38 percentage points below target. For both programs, regulations that became effective in January 2009 required revisions to application processing that had a significant negative impact on timeliness in FY 2009. However, economies of scale at the central processing facility in Chicago and increasing familiarity with the new process present opportunities for incremental improvement in FY 2010.

Indicator	*	What worked	What didn't work
H-1B process timeliness	Y	• Pilots of integrity activities led to implementation of enhanced supervised recruitment and increased audit processes.	
PERM process timeliness	N		• Processing times increased significantly after implementation of additional integrity activities.
H-2A process timeliness	N		• Processing negatively impacted by implementing the new regulations.
H-2B process timeliness	N		• Processing times increased after implementation of additional integrity activities and new regulations.
Program Performance Improvement Plan			
• Complete the development of the ICERT system, which is a one-stop portal to improve access to employment-based visa application services and USDOL immigration news and information.			

*Target reached (Y), improved (I), or not reached (N)



Net costs of Foreign Labor Certification activities increased by 36 percent from FY 2008-2009 due, in part, to a 27 percent increase in congressional appropriations, which funded new authorities and program areas previously constrained by limited resources. For example, in FY 2009, DOL let a contract to staff a new supervised recruitment function with 30 individuals in the Atlanta National Processing Center. This action implemented authority to apply additional scrutiny to certain employer applications and require employer applicants in select cases to conduct recruitment under DOL supervision. The Department also awarded contracts to support new program activities, including the opening of a new Prevailing Wage Determination Center and National Helpdesk offsite in Washington, DC, with associated staffing contract, space acquisition, and additional costs to outfit the new center. Space acquisition related to this center, a move to a new site in Chicago, and additional space to house the new supervised recruitment unit in Atlanta, all contributed to cost increases in FY 2009. In addition, in FY 2009 DOL awarded another large contract to stabilize and consolidate software development and system enhancements for its large, integrated case management system, and to further automate case processing in the temporary labor certification programs, which to date remains largely paper-based.

Program Assessments, Evaluations and Audits

Findings and recommendations from an H-1B Work Visa for Specialty Occupations Labor Condition Application Program assessment completed in 2004 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Collaborating with the Department of Homeland Security and Department of State in a multi-agency data sharing effort to identify, address, and deter H-1B and other visa fraud.* DOL established a multi-agency workgroup in July 2008 with membership from U.S. Customs and Immigration Service Fraud Detection and Policy Offices, Department of State, Department of Justice, and DOL Wage and Hour Division. The workgroup meets quarterly to share information on fraud-related activities with an emphasis on H-1B.

More information is at http://www.whitehouse.gov/omb/expectmore/summary/10002378.2004.html.

The Permanent Labor Certification Program was also assessed in 2004. In FY 2009, DOL made progress on the improvement plan as follows:

- *Developing appropriate performance measures for the new program, and establish ambitious long-term and annual targets.* In 2009, DOL developed two performance measures that are scheduled for implementation on October 1, 2010. One measure provides a more accurate definition of case processing time based on actual data while the second measure displays the level of compliance with the program and reflects PERM integrity actions.
- *Revising the application for Permanent Labor Certification (ETA Form 9089) to promote clarity and ease of use by employers, address implementation of the Fraud Rule, and promote efficient processing.* DOL is working to revise the current electronic filing system to incorporate the changes to the application form. The completion of programming and testing is scheduled for spring of 2010 with implementation in July 2010.
- *Revising the PERM electronic system to reflect changes to the application for Permanent Labor Certification (ETA 9089) and providing system enhancements to promote program integrity.* DOL is revising the current electronic filing system to incorporate the changes to the application form. The completion of programming and testing is now scheduled for spring of 2010.

For more information, see http://www.whitehouse.gov/omb/expectmore/summary/10002380.2004.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

<table>
<tr><th colspan="2">"Immigration of Foreign Workers: Labor Market Tests and Protections," March 2009 (Congressional Research Service)</th></tr>
<tr><td colspan="2">Relevance: The Congressional Research Service (CRS) conducted an analysis of the labor market test and worker protection responsibilities of the Department under the Immigration and Naturalization Act (INA).</td></tr>
<tr><td>Findings and Recommendations:
• CRS concluded that there are common critiques underlying the recruitment of foreign workers with specialized expertise as well as low-skilled workers. For example, CRS found that many argue that the labor market tests in the INA in their current forms are insufficiently flexible, entail burdensome regulations, and may pose potential litigation expenses for employers. Proponents of these views support streamlining the process – particularly moving from labor certification based upon documented actions (i.e., evidence of recruitment advertisements) to a streamlined attestation of intent. Others maintain that the attestation process may be adequate for employers</td><td>Actions:
• On September 4, 2009, the Department issued a proposed rule to amend the regulations governing the employment of aliens under the H-2A program. Key provisions of the proposed rule include the enhancement of the recruitment process and the elimination of the existing attestation-based applications. The proposed rule is accessible at http://www.dol.gov/federalregister/.</td></tr>
</table>

hiring H-1B workers because those foreign workers also must meet rigorous educational and work experience requirements, but that an attestation process would be an insufficient labor market test for jobs that do not require a baccalaureate education and skilled work experience. • CRS also concluded that legislation to reform the INA may provide an opportunity to revise and update the labor market tests; on the other hand, a consensus on the labor market tests may also be a hurdle to enacting immigration reform.	
Additional Information: This report is available at http://fpc.state.gov/documents/organization/122467.pdf.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[31] In FY 2009, DOL launched an electronic portal that improves accuracy of reported wages and Employer Identification Numbers by implementing mandatory registration and several data validation checks. Mandatory registration and data validation checks ensured greater precision and accuracy of the data, leading to greater integrity. DOL also regularly assesses data quality, collection methods, and the Web-based case management systems. These assessments ensure that data are reliable, appropriate, and useful to management.

Improving integrity of the foreign labor certification program, while continuing to process applications in a timely manner, remains among DOL's top management challenges (see *Maintaining the Integrity of the Foreign Labor Certification Program*, which is one of the Top Management Challenges in the Other Accompanying Information section). As discussed in the preceding paragraph, in FY 2009 DOL implemented a new data collection system for the H-1B program to improve data quality and reduce the potential for fraud. In FY 2010, electronic programs for the PERM system will be implemented; they are expected to improve data quality and efficiency.

[31] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

Build knowledge and advance disability employment policy that affects and promotes systems change.

Performance Goal 09-2G (ODEP)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2006 Goal Achieved	FY 2007 Goal Achieved	FY 2008 Goal Achieved	**FY 2009 Goal Achieved**
Number of policy-related documents	Target	baseline	20	34	**18**
	Result	20	34	44	**38**
	*	Y	Y	Y	**Y**
Number of formal agreements	Target	baseline	20	23	**13**
	Result	20	23	36	**16**
	*	Y	Y	Y	**Y**
Number of effective practices	Target	21	20	24	**15**
	Result	26	24	27	**15**
	*	Y	Y	Y	**Y**
Goal Net Cost (millions)		$50	$34	$27	**$29**

Source(s): ODEP and independent evaluator.

Note: *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 DOL and by other Federal agencies. Costs are not allocated to indicators because program activities are not separable into categories associated with one or the other.

Program Perspective and Logic

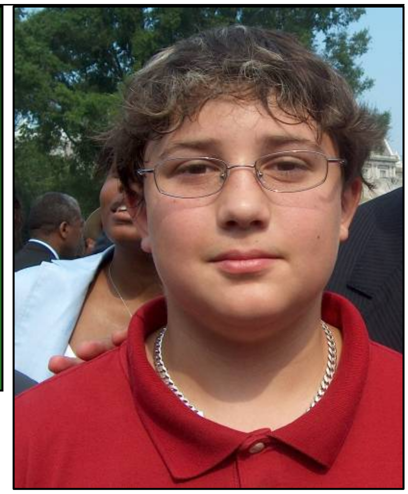
The Department's Office of Disability Employment Policy (ODEP) coordinates the development and promotes the implementation of policies and strategies to increase employment of people with disabilities. Increasing workforce participation of people with disabilities requires the removal of physical, programmatic, and attitudinal barriers to employment that exist in workforce systems, workplaces and corporate cultures, and employment supports programs and services. ODEP conducts research and analysis that validates and identifies innovative disability-employment practices and provides technical assistance to implement programs and systems that are universally usable.

ODEP is guided by its understanding that the traditional, stove-piped response to low employment rates among people with disabilities has not worked. ODEP's approach is coordinated, comprehensive, and collaborative. Success requires active involvement and cooperation of Federal, State, and local agencies; non-governmental organizations; and private and public sector employers. Collaboration with these stakeholders results in: policy development and its implementation that expands access to systems (such as employment and training, education, and vocational rehabilitation); improves business recruitment, hiring, and advancement of people with disabilities; and increases availability and accessibility of employment-related supports (such as health care, transportation and technology). The results of ODEP's efforts – policy-related documents, formal agreements, and effective practices – are reflected in the current indicators and targets.

Analysis and Future Plans

ODEP achieved its goal by reaching the target for each of its three output measures. ODEP identified 15 effective practices in FY 2009. Targets for the two newer indicators (18 policy-related documents and 13 formal agreements) were reached, as well, with results of 38 and 16, respectively.

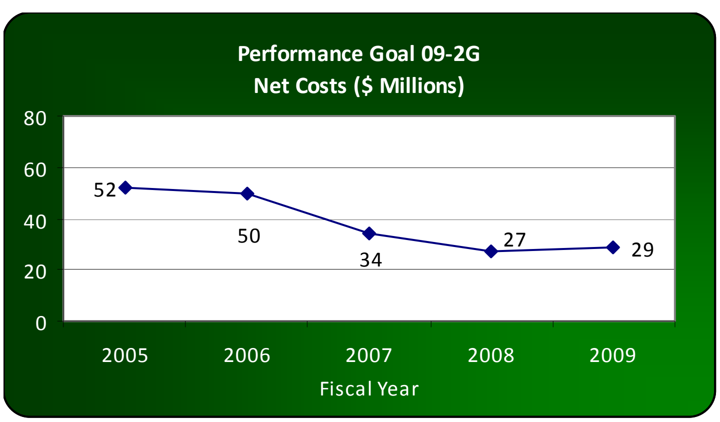
Dustin S. attended five schools in as many years. Following a hospitalization, community service providers recommended his mother seek placement for him in a residential treatment center. Fortunately, she found the ODEP-sponsored Maryland High School/High Tech program's University of Maryland Young Scholars Program, which enabled him to return home and go back to school – and his life changed dramatically. Dustin excelled in his school work, earning an "A" in a college course and three credits toward higher education. He also completed a summer internship at NASA's Goddard Space Flight Center, where he learned to operate a robotic arm designed to repair the Hubble Space Telescope and developed a user's manual. Dustin has been invited back to the Goddard Center to continue his work during the school year. He now aspires toward a career in computer engineering. Photo Credit: DOL/ODEP



In FY 2009, ODEP continued to develop policy and policy strategies for the workforce system, employers and workplaces, and employment supports programs and service providers that improve the labor force participation of people with disabilities. ODEP's annual performance measure outputs are the foundation upon which ODEP bases its policy and with which ODEP conducts outreach and provides technical assistance to ensure that programs, business, and service providers adopt and implement innovative and effective policy.

Indicator	*	What worked	What didn't work
Policy-related documents	Y	• Effective collaboration between ODEP's staff of experts, cooperative agreements with grantees, and contractors in generating policy documents.	• Tracking agency performance data outside a centralized data system.
Formal agreements	Y	• Formal agreements with public system owners and private stakeholders enforce standards of adoption, usability, implementation and relevance of its policy strategies.	
Effective practices	Y	• ODEP uses technical experts to identify, document and evaluate practices to ensure that they are effective and replicable.	
Program Performance Improvement Plan			
• Develop a program planning approach based on a number of policy research areas such as: Customized employment, Assistive Technology, Employment trends, Health and wellness and Employment Supports Policy research. • Undertaking efforts to develop a system to collect and monitor its performance data. This will allow the agency to use data to enhance decision making and improve program performance.			

*Target reached (Y), improved (I), or not reached (N)



ODEP net costs increased by eight percent from FY 2008-2009. This modest rise followed two years of significant decreases in funding levels.

In FY 2010, ODEP's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality;*
- *Assuring skills and knowledge that prepare workers to succeed in a knowledge-based economy, including in high-growth and emerging industry sectors like "green" jobs;*
- *Breaking down barriers to fair and diverse work places so that every worker's contribution is respected;*
- *Improving health benefits and retirement security for all workers;*
- *Providing workplace flexibility for family and personal care-giving;*
- *Facilitating return to work for workers experiencing workplace injuries or illnesses who are able to work and sufficient income and medical care for those who are unable to work;*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs;*
- *Assuring that global markets are governed by fair market rules that protect vulnerable people, including women and children, and provide workers a fair share of their productivity and voice in their work lives; and*
- *Helping middle-class families remain in the middle-class.*

Program Assessments, Evaluations and Audits

Findings and recommendations from an Office of Disability Employment Policy assessment completed in 2006 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Maintaining a consistent set of performance indicators to measure progress toward achieving long-term goals and developing a valid performance management tracking system for collecting data.* The program evaluation work on the review of the agency's existing annual performance output measures and the pilot testing of proposed intermediate outcome measures has been completed. ODEP will be assessing the viability of the proposed recommendations related to the intermediate outcome measures and data tracking system.
- *Conducting a rigorous evaluation to assess the impact and effectiveness of the program's policy and coordination functions.* ODEP and the contractor developed a set of intermediate outcome measures and pilot tested the use of a performance measurement system that generates valid and reliable data and evidence to assess the impact and effectiveness of the agency's annual and intermediate-term efforts. ODEP plans to build on its annual output and intermediate outcome measures to develop long-term outcome measures that will accurately measure ODEP's success in developing policies and assisting programs and systems in implementing those policies to improve labor force participation of people with disabilities.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10003911.2006.html.

There were no independent evaluations and audits completed in FY 2009.

Data Quality and Top Management Challenges

Data quality for this goal is rated *Good*.[32] ODEP relies on contracted external independent evaluators to validate the data collection systems that support ODEP's performance measures. As ODEP continues to implement its strategic and performance plan, data quality will be improved to ensure uniform guidelines for collecting and reporting data, as well as increasing their validity in measuring program performance.

[32] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

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

Performance Goal 09-2H (ILAB)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2006 Goal Achieved	FY 2007 Goal Achieved	FY 2008 Goal Achieved	**FY 2009 Goal Achieved**
Number of children prevented or withdrawn from exploitive child labor and provided education and/or training opportunities as a result of DOL-funded child labor elimination projects	Target	178,000	139,000	127,400	**115,100**
	Result	236,541	205,297	167,335	**144,890**
	*	Y	Y	Y	**Y**
Number of countries with increased capacities to address child labor as a result of DOL-funded child labor elimination projects	Target	39	31	33	**24**
	Result	53	48	45	**36**
	*	Y	Y	Y	**Y**
Goal Net Cost (millions)		$95	$101	$79	**$69**

Source(s): Grantee technical progress reports and project monitoring.

Note: *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 DOL and by other Federal agencies. Costs are not allocated to indicators because program activities are not separable into categories associated with one or the other.

Program Perspective and Logic

The Bureau of International Labor Affairs (ILAB) contributes to the elimination of the worst forms of child labor internationally through its Congressionally-mandated research on child labor, efforts to increase public awareness of the issue, and support of projects to eliminate exploitive child labor by expanding access to quality basic education and training around the world. DOL-funded international child labor projects provide educational and other services to child laborers, at-risk children, and their families; assist in strengthening national and local capacity to eliminate exploitive child labor; and undertake research initiatives to better understand the issue and inform ongoing and future efforts to address it. ILAB is currently funding some 55 projects implemented by 45 organizations in over 50 countries worldwide.

ILAB measures its success in achieving this performance goal by two indicators. The first measures the number of children who, as a result of DOL-funded interventions, have been either withdrawn or prevented from exploitive labor. Children *withdrawn* refers to those removed from exploitive labor and enrolled in educational programs; children *prevented* are at-risk children who have been provided education services to keep them from entering exploitive labor. The second indicator captures ILAB's efforts to influence national policy, such as legislation aimed at eliminating exploitive child labor and integration of child labor concerns in anti-poverty and economic development programs.

ILAB establishes annual targets for these indicators through analysis of project data and external factors, many of which are inherent to implementing programs

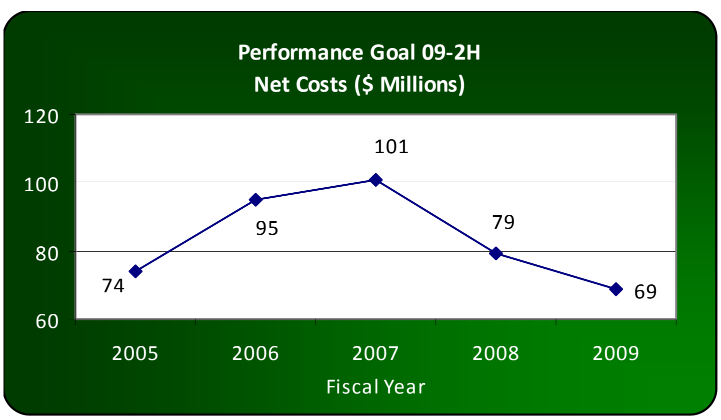
This Nepalese girl formerly worked in a carpet factory spinning yarn. When she was in the second grade, her parents went into debt and could no longer afford her school fees. She dropped out of school and began working full time at the factory. In 2006, with the support of a Department of Labor-funded project implemented by World Education, she enrolled in a nine-month class that helped her catch up on the years of education she had missed. Subsequently, she was able to enroll in third grade in a government school. Now in sixth grade, she no longer works at the factory and looks forward to continuing her studies. Photo Credit: World Education/David DuChemin in developing countries. Civil unrest, natural disasters, economic shocks, exchange rate fluctuations, frequent changes in governments, and poor infrastructure can impact the progress of project implementation. ILAB's FY 2009 target for the withdrawal and prevention indicator is lower than its FY 2008 result due to lower funding levels in recent years, the dollar's devaluation, and, in some cases, a focus on difficult-to-reach children needing more costly interventions, such as child victims of trafficking.

Analysis and Future Plans

This goal was achieved, with targets exceeded for both indicators. During FY 2009, 144,890 children were withdrawn or prevented from exploitive labor as a result of their participation in DOL-funded projects. This included 28,665 children in Latin America and the Caribbean, 58,361 in sub-Saharan Africa, and 57,864 in Asia, Europe, the Middle East, and North Africa. In addition, 36 countries increased their capacity to address the issue of child labor as a result of DOL-funded projects' work in areas such as legal and policy reform, advocacy and awareness-raising, and training.

Indicator	*	What worked	What didn't work
Children prevented or withdrawn from exploitive labor	Y	• After-school programs offering educational support, life-skills training, and recreational activities are keeping children from returning to hazardous work in the afternoons and are garnering support from governments and the private sector in several countries.	• ILAB's projects have provided skills training to parents to address the poverty that often leads to child labor, but this strategy had limited impact without the addition of other income generating activities.
Countries with increased capacity to address child labor	Y	• When DOL-funded projects in a given country work collaboratively, capitalizing on their respective strengths, they have had greater success in increasing country capacity to address child labor.	• Three to four years (duration of grants) is insufficient to sustain changes in national child labor policies, particularly in countries where there is widespread acceptance of the practice.
Program Performance Improvement Plan			
• ILAB will augment its focus on interventions that help alleviate the chronic poverty that is often the root cause of child labor by encouraging its grantees to adopt or link with interventions that foster entrepreneurship and sustainable livelihoods.			

*Target reached (Y), improved (I), or not reached (N)



Net costs of ILAB activities decreased by 12 percent from FY 2008-2009. Historically, net costs reflect significant changes in appropriations for international child labor elimination projects and typical lags of up to three years between funding and expenditures. Annual appropriations for ILAB peaked in FY 2002-2004 before declining by over 25 percent over the next two years and remaining at that reduced level through 2009. The chart follows this trend, indicating a peak in FY 2007 and subsequent steep decline.

In 2010, ILAB's activities will contribute to the outcome goal *assuring that global markets are governed by fair market rules that protect vulnerable people, including women and children, and provide workers a fair share of their productivity and voice in their work lives* in support of the Department's Strategic Vision of *Good Jobs for Everyone.*

Program Assessments, Evaluations and Audits

Findings and recommendations from an ILAB assessment completed in 2004 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Conducting a comprehensive evaluation of the program's technical assistance activities to assess the programs' overall impact and effectiveness, including program sustainability.* A third-party evaluation of the impact and effectiveness of ILAB's child labor technical cooperation program is ongoing. It employs a mixed methodology of surveys, interviews and field visits. Due to administrative delays, the evaluation will likely be finalized in the second quarter of FY 2011.
- *Reconsidering the agency's role in government-wide international assistance efforts*. ILAB anticipates that the results of the ongoing third-party evaluation will inform policymakers in their review of the agency's future role and responsibilities.
- *Implementing a cost-efficiency performance measure to reflect ILAB's policy functions.* ILAB is working to identify relevant and valid cost-efficiency measures for its programs.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10002384.2004.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

<table>
<tr><th colspan="2">"ILAB Could Further Improve Oversight of Attestation Engagements," March 2009 (OIG)</th></tr>
<tr><td colspan="2">Relevance: The OIG found that ILAB did not incorporate requirements needed to meet its quality assurance policies and procedures in the Independent Public Accountant's (IPA's) contract; systematically conduct and document reviews of IPA attest documentation; or require the IPA to submit external peer review reports.</td></tr>
<tr><td>Findings and Recommendations:
• ILAB should incorporate requirements needed to meet its quality assurance policies and procedures in the Independent Public Account firm's (IPA) contract.
• ILAB should expand and document its reviews of IPA attest documentation.
• ILAB should require the IPA to submit external peer review reports.</td><td>Actions:
• ILAB incorporated in the FY 2009 solicitation for grant applications and contract terms a summary of key policies and procedures related to its monitoring of the IPA's work, such as requiring applicants to submit a description of their quality control procedures and to provide access to the IPA's working papers for review by ILAB and the Grant Officer following contract award.
• In FY 2009, ILAB's Office of Child Labor, Forced Labor, and Human Trafficking revised its Operations Manual to define more precisely the extent of ILAB reviews of the IPA's working papers and the circumstances that warrant such reviews.
• ILAB included a requirement for the most recent external peer review report and related letter of comment, if any, to be submitted as part of the application package for the FY 2009 solicitation.</td></tr>
<tr><td colspan="2">Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2009/05-09-004-01-070.pdf.</td></tr>
</table>

All DOL-funded child labor elimination projects undergo mid-term and final evaluations, and selected projects undergo project-level performance and financial attestation engagements. During FY 2009, independent evaluators conducted over 25 project evaluations and six attestation engagements. ILAB is posting finalized evaluation and attestation engagement reports on the DOL Web site as they become available at http://www.dol.gov/ilab/programs/ocft/oversight.htm.

This teenager in Uganda, who used to work 10-hour shifts gathering firewood in the forest, now attends school and aspires to become a teacher, thanks to LEAP (Livelihoods, Education, and Protection to End Child Labor) – a project funded by the Department of Labor and implemented by the International Rescue Committee. LEAP covers the cost of school fees and provides books, uniforms, and school supplies so that child laborers and at-risk children can afford to attend school. LEAP also trains teachers in new teaching methodologies and renovates classrooms in run-down schools so that schooling is a safer and relevant alternative to work. Photo Credit: International Rescue Committee/LEAP

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Excellent*.[33] ILAB, which does not have an overseas presence, has developed a multi-pronged strategy for monitoring data quality and project performance. This includes semi-annual project-level financial and technical progress reports, performance monitoring plans, and mid-term and final project evaluations. In addition, financial and performance-related attestation engagements are being conducted by a private certified public accounting firm on many DOL-funded child labor projects. These attestation engagements review data to ensure that grantees are reporting results based on ILAB-established definitions, and that the data are supported by adequate records and observation. When issues in reporting are identified, grantees are required to provide a corrective action plan to revise the data as necessary.

To strengthen project oversight, ILAB introduced a new internal monitoring tool in FY 2008 through pilot accountability reviews. These reviews include assessments of reliability and validity of performance data as well as compliance with OMB circulars, DOL policies, ILAB Management Procedures and Guidelines, and the terms of grantees' Cooperative Agreements. The first pilot review of a Child Labor Education Initiative project in the Philippines identified the need for a more systematic approach to the project's monitoring of the working status of beneficiaries. The grantee has incorporated the review's recommendations in the design of its grant for a second project in the Philippines that should not only improve the reliability of the performance data reported to ILAB but, more importantly, enhance protections against exploitive child labor for the project's beneficiaries.

[33] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

Strategic Goal 3: *Safe and Secure Workplaces*

Promote workplaces that are safe, healthful and fair; guarantee workers receive the wages due them; foster equal opportunity in employment; and protect veterans' employment and reemployment rights.

All workers are entitled to safe and secure workplaces – and several DOL agencies are dedicated to achieving this goal. These agencies provide a critical service to the American worker by ensuring that employers comply with major employment laws that promote practices that minimize safety and health hazards, protect employees' wages, provide equal employment opportunity to workers, and support veterans returning to the civilian workplace:

- Occupational Safety and Health Administration (OSHA),
- Mine Safety and Health Administration (MSHA),
- Employment Standards Administration (ESA), and
- Veterans' Employment and Training Service (VETS).

DOL employs a broad range of expertise – from front-line investigators to strategic decision makers – to administer these laws and to educate employers and the public. Performance goals and targets focus on the effectiveness of these enforcement efforts and compliance programs. Here are a few highlights of FY 2009 results:

For Workers

- Workplace fatality and injury/illness rates continued a steady downward trend.
- In mines, the fatality rate and the all-injury and illness rate both decreased to seven-year lows.
- Wage and Hour law enforcement and compliance results improved by all five performance measures for the associated performance goal – in several cases reversing a 2-year slump.

For Employees of Federal Contractors

- The discrimination rate and compliance rates among audited contractors remained stable. However, more systemic cases are being identified and resolved.

For Returning Veterans

- Claims and violations under the Uniformed Services Employment and Reemployment Rights Act increased, but compliance and claims processing results improved.

For more specific information, see the Performance Goal narratives.

Several Southeast Texas counties were declared national disaster areas when Hurricane Ike made landfall on September 13, 2008. In the immediate aftermath, the WHD Houston district office mobilized staff in the affected communities to provide outreach and assistance to victims of the storm. The first phase of recovery involved installation of blue tarps on damaged roofs to prevent further property damage. More than 27,000 roofs were covered in seven weeks using about 42 million square feet of plastic. WHD staff worked with the U.S. Army Corps of Engineers to ensure that the thousands of laborers who converged on the area to install these blue tarps were paid the required legal wages, and WHD leadership temporarily reassigned an experienced manager from the agency's Northeast Region to Houston to oversee enforcement activities related to the rebuilding initiative. Twenty-three investigators from WHD offices across the country were assigned to the area on temporary details to assist. Through these efforts, the Houston district office conducted over 140 investigations and found over $1.5 million in back wages due to approximately 2,500 employees. Other workers in industries such as trucking, healthcare, construction trades, school districts, and security companies, were also affected by the storm and by recovery efforts – so the Houston office and the corps of volunteers from WHD offices nationwide continue to maintain a strong enforcement presence in the affected area. Photo Credit: DOL/ESA

The following table provides net costs for all performance goals and indicators associated with this strategic goal.[34]

Goal or Indicator	Net Costs ($Millions)[35]		
	FY 2007 PY 2006	FY 2008 PY 2007	FY 2009 PY 2008
Strategic Goal 3: *Safe and Secure Workplaces*	**$1,237**	**$1,281**	**$1,304**
Performance Goals 09-3A (OSHA) Improve workplace safety and health through compliance assistance and enforcement of occupational safety and health regulations and standards.	547	554	556
Days away, restricted and transferred (DART) per 100 workers	*547*	*554*	*556*
Workplace fatalities per 100,000 workers for sectors covered by the OSH Act			
Performance Goal 09-3B (MSHA) Reduce work-related fatalities, injuries, and illnesses in mines.	356	388	403
Mine industry fatalities per 200,000 hours worked	*121*	*132*	*165*
Mine industry injuries per 200,000 hours worked	*107*	*116*	*149*
Percent of respirable coal dust samples exceeding the applicable standards for designated occupations	*50*	*58*	*60*
Percent of noise exposures above the citation level in coal mines	*25*	*31*	*28*
Percent of successful interventions of hazards that require annual sampling (metal and non-metal mines)	–	–	–
Percent of hazards that require periodic sampling for which there are successful interventions (metal and non-metal mines)	–	–	–
Performance Goal 09-3C (Wage and Hour) Ensure workers receive the wages due them.	221	227	232
Number of workers for whom there is an agreement to pay or an agreement to remedy per 1,000 enforcement hours in complaint cases	*123*	*123*	*126*
Percent of prior violators who achieved and maintained FLSA compliance following a full FLSA investigation	*30*	*30*	*31*
Number of workers in low-wage industries for whom there is an agreement to pay or an agreement to remedy per 1,000 case hours	*45*	*38*	*39*
Number of wage determination data submission forms processed per 1000 hours	*23*	*35*	*36*
Average age (in months) of Davis-Bacon wage rates	–	–	–
Performance Goal 09-3D (Federal Contractor Compliance) Federal contractors achieve equal opportunity workplaces.	103	102	102
Discrimination rate for audited Federal contractors	*72*	*71*	*72*
Compliance rate for all other EEO requirements	*31*	*31*	*31*
Performance Goal 09-3E (USERRA) Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment.	10	10	10
USERRA Progress Index (measures compliance and assistance performance)	*10*	*10*	*10*

[34] Rows labeled "Dollars not associated with indicators" indicate costs that cannot be associated with the current set of performance indicators. For some goals, indicator costs are intentionally combined by merging cells because program activities are not separable into categories associated with one or another of them (e.g., job training program common measures – entered employment, employment retention and average earnings).

[35] *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 DOL and by other Federal agencies. Sums may not equal higher level totals due to rounding.

Improve workplace safety and health through compliance assistance and enforcement of occupational safety and health regulations and standards.

OSHA

Performance Goal 09-3A (OSHA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2007 Goal Achieved	FY 2008 Goal Achieved	**FY 2009 Goal Achieved**
Days away from work, job restriction and job transfer (DART) per 100 workers	Target	2.3	2.3	**2.2**
	Result	2.1	2.0**	**1.9****
	*	Y	Y	**Y**
Workplace fatalities per 100,000 workers (for sectors covered by the Occupational Safety and Health Act)	Target	1.73	1.58	**1.57**
	Result	1.58	1.51	**1.27****
	*	Y	Y	**Y**
Goal Net Cost (millions)		$547	$554	**$556**

Source(s): Bureau of Labor Statistics (BLS) Annual Survey of Occupational Injuries and Illnesses (ASOII), OSHA Integrated Management Information System, and BLS Current Employment Statistics.

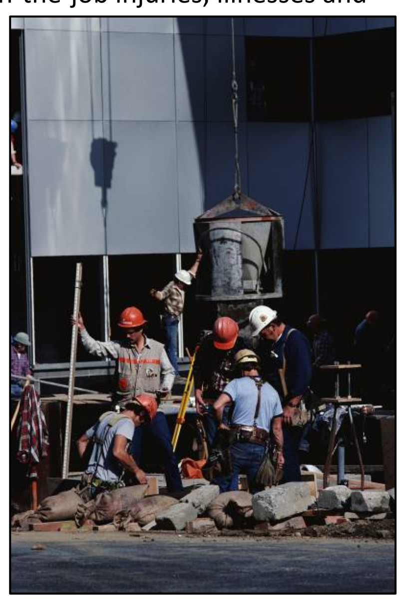
Note: *Net Cost* reflects the *full cost* of each program as assigned by DOL entities to the Department's outcome goals *less* any exchange revenue earned. *Full cost* consists of (a) both direct and indirect costs, and (b) the costs of identifiable supporting services provided by other segments within DOL and by other Federal agencies. Costs are not allocated to OSHA's two performance indicators because the same activities contribute to reductions in fatality and injury/illness indicators, i.e., their costs are not separable. Calendar year is designated by "CY."

Program Perspective and Logic

For over 35 years, OSHA has promoted employee safety and health in the United States by collaborating with employers and employees to create safe working environments. A strong, fair, and effective enforcement program underpins OSHA's efforts to protect the safety and health of the nation's workers. Outreach, education and compliance assistance complement enforcement efforts to enable OSHA to play a vital role in preventing on-the-job injuries, illnesses and fatalities.

The majority of working Americans fall under the jurisdiction of Federal OSHA plans or Federally-approved job safety and health programs operated by the States (with the exception of miners, transportation workers, domestic workers, some public employees, and the self-employed). OSHA helps to reduce on-the-job injuries, illnesses and deaths by intervening – through enforcement strategies and compliance assistance – at workplaces where occupational safety and health hazards are more likely to be present and by responding to reports about serious workplace hazards.

OSHA tracks injury/illness and fatality rates to develop targeted national and local programs and to measure performance. OSHA creates fiscal year estimates from the published BLS Annual Survey of Occupational Injuries and Illnesses



OSHA conducts local special emphasis programs to reduce employee exposures to hazards at construction projects, including those funded by the Recovery Act. Specific interventions, including inspections, cover many employers at once and leverage OSHA's outreach and enforcement efforts. "The hazards associated with the construction industry are well recognized, especially on large projects involving highways, bridges, new building construction, and existing building renovation and demolition operations," said Charles E. Adkins, OSHA's regional administrator in Kansas City, MO. Photo credit: DOL/OSHA (calendar year) for rates of injuries and illnesses involving days away from work, job restriction, or job transfer (DART). OSHA's own Integrated Management Information System is used to track fatalities and other data for management purposes. Other factors that affect achievement of this performance goal include national economic indicators such as employment, changes in technologies, and workforce characteristics.

Recovery Act

With funds from the Recovery Act, OSHA was allocated 36 Full Time Equivalents in 2009 to protect worker safety and health through targeted enforcement activity. The agency established a target for 2009 of 525 additional federal inspections (above those funded through normal appropriations for enforcement activities). OSHA established Local Emphasis Programs for its Recovery Act work and, through the third quarter of 2009, had already surpassed its 2009 federal inspection goal by conducting 665 additional inspections.

OSHA is working with State partners to enhance their enforcement efforts. OSHA established a target of 500 inspections in 2009 for States receiving Recovery Act funds, and obligated $1,525,489 for those activities. OSHA also obligated $600,000 for construction data collection to enhance targeting of federal enforcement resources to construction sites with the highest injury and illness rates. For more information, see http://www.recovery.gov/?q=content%2Fprogram-plan&program_id=7636.

Analysis and Future Plans

OSHA reached both indicator targets and achieved its goal. This year, the rate of injuries and illnesses involving days away from work, job restriction, or job transfer declined to 1.9 cases per 100 workers from last year's rate of 2.0, and the fatality rate for sectors covered by the Occupational Safety and Health Act declined to 1.27 fatalities per 100,000 workers from the FY 2008 rate of 1.51.

Indicator	*	What worked	What didn't work
Injury/Illness rate	Y	• Increased use of National and Local Emphasis Programs in high-hazard areas reduced the injury and illness rate.	• OSHA's ability to rapidly deploy new program or regulatory initiatives is limited due to an extensive review and concurrence process.
Fatality rate	Y	• Increased use of National and Local Emphasis Programs in high-hazard areas reduced the fatality rate.	• Educating hard-to-reach and non-English speaking workers about occupational safety and health is challenging.
Program Performance Improvement Plan			
• In FY 2010, OSHA is hiring enforcement personnel that will help the agency adapt to changes in worker demographics. • OSHA is developing better mechanisms to reduce fatalities in hard-to-reach and non-English speaking workers. • Starting in 2011, OSHA will analyze data from the new OSHA Information System database to better understand where injuries and illnesses are occurring and to direct its resources to these areas.			

*Target reached (Y), improved (I), or not reached (N)

Net costs of OSHA activities were virtually unchanged from FY 2008-2009.

In 2010, OSHA's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Securing safe and healthy workplaces, particularly in high-risk industries; and*
- *Voice in the workplace.*

For 2010, OSHA is targeting reduction in the number of fatalities caused by the four leading types of workplace death – falls, electrocutions, being caught in or between an object, and being struck by an object.

Program Assessments, Evaluations and Audits

Findings and recommendations from an Occupational Safety and Health Administration assessment completed in 2007 prompted specific actions to improve performance. Here is a summary of progress in 2009:

- *Completing regulatory reforms identified in the 2005 Report to Congress on the Costs and Benefits of Federal Regulation.* OSHA completed eight of the ten reforms; two reforms are still in progress. The Flammable Liquids reform, part of the Standards Improvement Project, will require additional public comment on recommendations to replace several National Fire Protection Association consensus standards. The Hazard Communication Training guide was delayed by work on the Hazard Communication/Globally Harmonized System rulemaking that was published for public comment in September 2009. OSHA anticipates both reforms to be completed by September 2010.
- *Developing the OSHA Information System to improve data collection.* In 2009, the OSHA Information System Team addressed issues identified by the 2008 pilot. These areas include addressing reporting requirements, design fixes, wireframe development, data mapping, and some data cleansing. The system, which will enhance data collection, data access, and information dissemination for the entire agency, is scheduled for full deployment by September 30, 2010.
- *Conducting rigorous independent evaluations to examine the relative effectiveness and efficiency of programmatic approaches.* OSHA will pursue alternative approaches to establish a methodology for conducting studies of its various programmatic approaches. The agency has directed in-house staff resources to work on a Methylene Chloride Lookback Review and on a planned Bloodborne Pathogens Lookback Review.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10000336.2007.html.

Independent evaluations and audits completed in 2009 are summarized below.

<table>
<tr><th colspan="2">“Employers With Reported Fatalities Were Not Always Properly Identified and Inspected Under OSHA's Enhanced Enforcement Program,” March 2009 (OIG)</th></tr>
<tr><td colspan="2">Relevance: The OIG audit of OSHA’s Enhanced Enforcement Program (EEP) found that OSHA did not always properly identify employers for enhanced enforcement. When it did, OSHA did not always take proper action nor place the appropriate management emphasis on compliance, committing the necessary resources, and providing clear policy guidance.</td></tr>
<tr><td>Findings and Recommendations:
• The OIG recommended that OSHA form an EEP task force to improve program efficiency and effectiveness, revise the EEP directive, provide formal training on EEP requirements and application, incorporate enhanced settlement provisions, establish controls for reconciliation of the EEP log, and improve citation coding.</td><td>Actions:
• An EEP task force was created in April 2009.
• A revised directive was completed.
• Formal training on EEP requirements is expected in FY 2010.</td></tr>
<tr><td colspan="2">Additional Information: The report (OIG 02-09-203-10-105) is available at http://www.oig.dol.gov/public/reports/oa/2009/02-09-203-10-105.pdf.</td></tr>
<tr><th colspan="2">“OSHA's Voluntary Protection Programs: Improved Oversight and Controls Would Better Ensure Program Quality,” May 2009 (GAO)</th></tr>
<tr><td colspan="2">Relevance: GAO examined the Voluntary Protection Programs (VPP) and concluded that OSHA’s internal controls are not sufficient to ensure that only qualified worksites participate in the VPP. GAO also reported that the agency has not developed goals or measures to assess the performance of the program.</td></tr>
<tr><td>Findings and Recommendations:
• GAO recommended OSHA develop a documentation policy for information on actions taken by OSHA’s regions in response to fatalities and serious injuries at VPP sites, establish internal controls to ensure consistent compliance by its regions with VPP policies, and develop goals and performance measures for VPP.</td><td>Actions:
• OSHA issued instructions for documenting OSHA actions following a fatality at a VPP site.
• The agency issued new procedures for VPP onsite teams to review and verify injury and illness rates submitted with the participants’ annual self-evaluations.</td></tr>
<tr><td colspan="2">Additional Information: The report (GAO-09-395) is available at http://www.gao.gov/new.items/d09395.pdf.</td></tr>
</table>

In 2008, as the result of an enforcement action initiated by the Office of the Solicitor, the Department achieved a significant OSHA settlement with Bath Iron Works, the Navy's shipbuilder and largest employer in Maine. This employer has been a recurrent subject of OSHA's site-specific targeting due to its high rate of musculoskeletal injuries. In the settlement agreement, Bath was issued numerous safety and health citations and paid a $275,000 penalty. The settlement paved the way for resolution of an ergonomics citation asserting that shipbuilding employees who repeatedly perform grinding operations have been exposed to serious upper body musculoskeletal disorders. By ensuring that Bath addresses its chronic ergonomic issues, SOL is helping to ensure that the Department is achieving a safe and secure workplace for every American worker.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Good*.[36] For the fatality goal, the agency relies on its Integrated Management Information System (IMIS) for fatality data and Bureau of Labor Statistics (BLS) Current Employment Statistics for employment data. IMIS data provide the best count of fatalities under OSHA jurisdiction. The IMIS and the BLS Current Employment Statistics data are complete, reliable, accurate, and verifiable. IMIS, which has numerous automated quality control and edit checks, uses a well-defined and tested protocol for counting. For the injury and illness goal, the agency uses data from the BLS Annual Survey of Occupational Injuries and Illnesses. While this survey provides the most comprehensive and reliable injury and illness data currently available on a national level, results are not available until nine and a half months after the end of the calendar survey year. Consequently, OSHA's estimate for the fiscal year is a projection based on available data from calendar year 2003 onward.

Improving program effectiveness and efficiency of the Enhanced Enforcement Program (EEP) and developing documentation policy, internal controls and goals and performance measures for the Voluntary Protection Programs (VPP) remain as challenges for the Department (see *Ensuring the Safety and Health of Workers*, which is one of the Top Management Challenges in the Other Accompanying Information section). One recent audit of OSHA's EEP found that OSHA did not always properly identify employers for enhanced enforcement, and when it did, it did not always take proper action nor place the appropriate management emphasis on compliance – committing the necessary resources, and providing clear policy guidance. In response, OSHA formed an EEP task force, is revising the EEP directive and will provide training on program requirements. In response to the GAO's recommendation that OSHA improve oversight and controls to better ensure program quality of the VPP, the agency developed a statement of executive action to establish actions and dates for challenges to be resolved.

[36] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

Reduce work-related fatalities, injuries, and illnesses in mines.

Performance Goal 09-3B (MSHA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2007 Goal Substantially Achieved	FY 2008 Goal Substantially Achieved	**FY 2009 Goal Achieved**
Mine industry fatalities per 200,000 hours worked	Target	.0201	.0191	**.0147**
	Result	.0200	.0152	**.0141****
	*	Y	Y	**Y**
	Cost	$121	$132	**$165**
Mine industry injuries per 200,000 hours worked	Target	2.82	3.41	**3.09**
	Result	3.50	3.27	**2.97****
	*	I	Y	**Y**
	Cost	$107	$116	**$149**
Percent of respirable coal dust samples exceeding the applicable standards for designated occupations	Target	9.0%	11.5%	**9.55%**
	Result	12.20%	9.74%	**7.75%****
	*	N	Y	**Y**
	Cost	$50	$58	**$60**
Percent of noise exposures above the citation level in coal mines	Target	4.8%	3.59%	**4.45%**
	Result	3.66%	4.54%	**4.01%****
	*	Y	N	**Y**
	Cost	$25	$31	**$28**
Percent of successful interventions of hazards that require annual sampling (metal and non-metal mines)	Target	—	—	**baseline**
	Result	—	—	**11.63**
	*	—	—	**—**
	Cost	—	—	**—**
Percent of hazards that require periodic sampling for which there are successful interventions (metal and non-metal mines)	Target	—	—	**baseline**
	Result	—	—	**2.67**
	*	—	—	**—**
	Cost	—	—	**—**
Goal Net Cost (millions)		$356	$388	**$403**

Source(s): Mine operators' and non-exempt contractors' Mine Accident, Injury, and Employment reports and MSHA Standardized Information System.

Legacy Data: Some indicators not shown for FY 2004-08. Complete indicators, targets and results for FY 2004-06 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goals 06-3.1A and 06-3.1B. In FY 2004-06, MSHA had separate safety and health goals and in FY 2005, OSHA and MSHA shared performance goals. Achievement is restated as if there had been a single MSHA goal. Complete data for FY 2007-08 are in the FY 2008 report at http://www.dol.gov/_sec/media/reports/annual2008/SG3.htm. See Performance Goal 08-3A.

Note: *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 DOL and by other Federal agencies.

On August 4, 2009, Secretary Solis visited with miners employed at the Patriot Coal's Federal No. 2 Mine located near Miracle Run, West Virginia. The mine employs nearly 500 miners. During her tour, the Secretary descended 700 feet down an elevator hoist and traveled two miles underground to see the inner workings of the mine, which was supplied with additional airtight emergency shelters and caches of oxygen self rescuers, as required by the MINER Act. "Whenever you turn on the light switch, people may not think that it may have come from the coal that was mined here in West Virginia;" said Secretary Solis. "I am out here to say that we stand by the workers, we stand by the good business men who make these investments to help be ahead of the challenge so we know that when miners come into a mine in the morning that they can come home at night – and that to me is the bottom line." Photo credit: DOL/ETA

Program Perspective and Logic

The Mine Safety and Health Administration (MSHA) enforces compliance with mandatory safety and health standards to reduce fatal accidents, nonfatal accidents, and health hazards and promotes improved safety and health conditions in the nation's mines. MSHA is divided into two major programs, coal mine safety and health and metal-nonmetal safety and health. MSHA protects the safety and health of the nation's miners under the provisions of the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act).

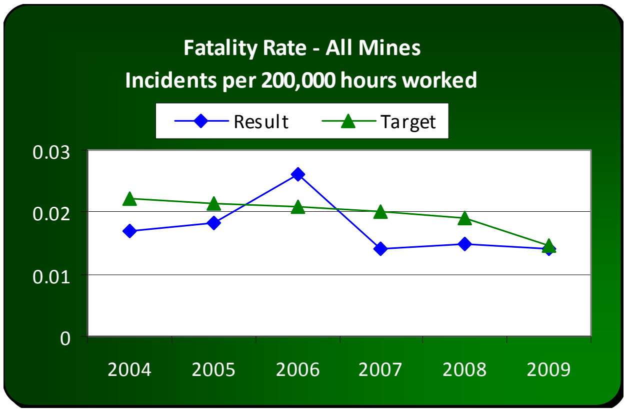
The Mine Act requires that MSHA inspect each surface mine at least two times a year and each underground mine at least four times a year (seasonal or intermittent operations are inspected less frequently) to determine whether there is compliance with health and safety standards and whether an imminent danger exists. If violations of safety or health standards are found, inspectors will issue citations to the mine operators. MSHA also performs other important activities including, but not limited to, investigating mine accidents; developing safety and health standards; assessing and collecting civil monetary penalties for violations of mine safety and health standards; reviewing for approval mine operators' mining plans; maintaining the National Mine Health and Safety Academy to train inspectors; approving and certifying certain mining products; and, overseeing rescue and recovery operations.

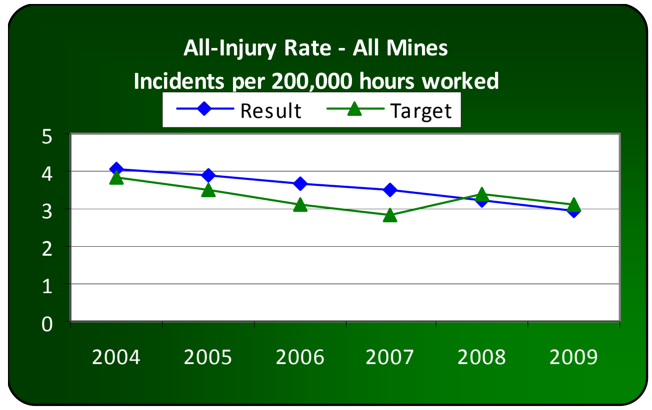
The MINER Act of 2006 amended the Mine Safety and Health Act and contains a number of provisions to improve safety and health in America's mines, including: requiring MSHA to review and re-certify each mine's emergency response plan every six months; providing guidance to mines on wireless two-way communications and an electronic tracking system, permitting those on the surface to locate persons trapped underground; and requiring each mine to make available two experienced rescue teams capable of a one-hour response time.

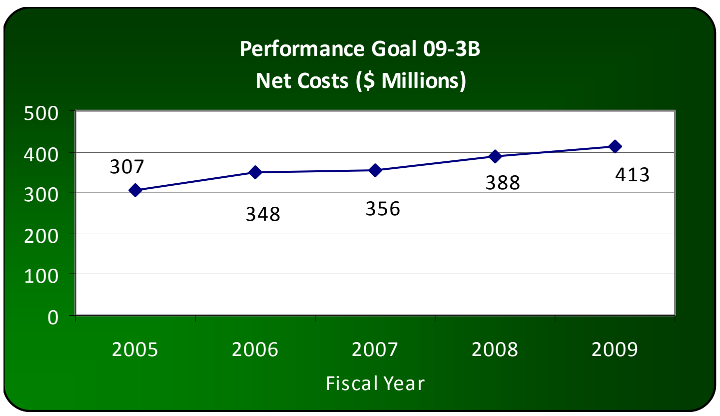
MSHA uses the incidence rate – the number of fatalities and injuries per 200,000 hours worked by miners – to assess the effectiveness of its efforts to protect the safety of the nation's miners. The rate combines the number of miners' fatalities and injuries with their exposure to potential hazards (hours worked). The health indicators for this performance goal targets reductions to exposures to noise and dust in coal mines. These indicators address significant health risks to miners; noise exposure is a major health concern because it may lead to hearing loss, and exposure to coal and silica dust may cause lung disease such as pneumoconiosis (black lung) among coal miners. During FY 2009, MSHA continued its integrated approach toward the prevention of mining accidents, injuries, and occupational illnesses. MSHA elevated enforcement efforts and increased inspector presence at mine sites. MSHA accomplished its goal of completing all required inspections at every mine in the country.

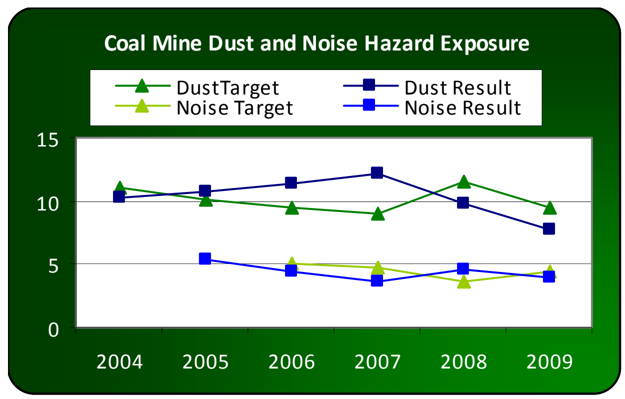
Analysis and Future Plans

MSHA achieved its FY 2009 performance goal by reaching all four indicator targets. In the coming years, MSHA plans to target the most common causes of fatal accidents and enhance enforcement to improve compliance with standards. To reduce health risks to miners, MSHA plans to greatly improve the effectiveness of its coal dust enforcement efforts by developing and implementing a comprehensive black lung strategy that will include rulemaking to reduce the coal dust permissible exposure level; education and training; enhanced enforcement; and increased surveillance of miner respiratory health.









Net costs of MSHA activities increased by four percent from FY 2008-2009 due to increased enforcement (number of inspections) and support activity.

Indicator	*	What worked	What didn't work
Mine fatality rate	Y	• an increase in inspector presence at many mines due to increased number of inspectors • completion of all mandatory mine inspections (twice and four times annually for above ground and underground mines, respectively)	• Mine operators failed to comply with MSHA standards that could have prevented many of the fatalities.
Mine injury rate	Y	• Increased inspector onsite presence	
Dust hazard exposure	Y	• Better quality dust control and ventilation plans	
Noise hazard exposure	Y	• Increased inspector presence	
Program Performance Improvement Plan			
• Implement a fatal accident reduction strategy aimed at eliminating the types of hazards that most frequently cause or contribute to the deaths of miners. Foster consistent compliance with the identified standards with aggressive enforcement by MSHA inspectors and specialists. In addition, MSHA will require that mine operators who have a pattern of violations implement safety and health management programs that targets the reduction of conditions which most frequently cause or contribute to fatal accidents.			

• Implement a comprehensive black lung reduction strategy that includes rulemaking to lower the exposure limit for respirable coal mine dust. Initiate systematic review of the quality of dust control parameters stipulated in semi-annual mine ventilation and dust control plans, review coal mine operator respirable dust practices during regular inspections, and inspect coal mine operators' dust monitoring programs annually. • Speed processing of miners' discrimination complaints and complete investigations of knowing and willful violations.

*Target reached (Y), improved (I), or not reached (N).

In 2010, MSHA's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Securing safe and healthy workplaces, particularly in high-risk industries; and*
- *Voice in the workplace.*

Program Assessments, Evaluations and Audits

Findings and recommendations from a Mine Safety and Health Administration assessment completed in 2003 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Implementing the MINER Act of 2006*. MSHA published the final rule on Refuge Alternatives and the final rule on the Utilization of Belt Air and the Composition and Fire Retardant Properties of Belt Material in Underground Coal Mining. MSHA continues to work on wireless communications or tracking systems and continues to review and approve Emergency Response Plans.
- *Completing 100 percent of the required inspections*. MSHA completed all required inspections in FY 2009.
- *Deploying a new Web tool which allows mining companies to review their history and how assessments are broken down.* MSHA activated a new feature on its Web site that provides additional tools to assess the safety performance at mines and which will enable users to access violations per inspection day and repeat violations of the same standard.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10001101.2003.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

"Complaints Received from The American Coal Company," January 2009 (OIG)	
Relevance: The workplace safety and health of our nation's workers depends on DOL's strong enforcement of these laws.	
Findings and Recommendations: • Issue a written policy for eliminating the current backlog of overdue coal mine plan reviews and maintaining timely reviews in the future.	***Actions:*** • On June 2, 2009, MSHA implemented a written policy for eliminating backlogs of coal mine reviews and maintaining timely plan reviews.
Additional Information: The report (No. 05-09-002-06-001) is available at http://www.oig.dol.gov/public/reports/oa/2009/05-09-002-06-001.pdf.	

Data Quality and Top Management Challenges

Data quality for this goal is rated *Very Good*.[37] The OIG and GAO pointed out the lack of data on contractor[38] hours worked at the mine level and recommended that mine operators report all hours worked for both employees and contractors. MSHA could then verify that all data relevant to reported injuries and fatalities have been included. MSHA officials believe that the data on non-exempt contractor hours are sufficient at the national level for calculating the all-injury and fatality rates. However, having contractor data at the mine level could enhance enforcement effectiveness.

[37] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

[38] Certain independent contractors are exempt from reporting employment and injury information if they participate in "low hazard" mining activities as defined by MSHA policy. Non-exempt contractors report employment information for aggregate work locations, not by individual mine site.

Top Management Challenges pending include the OIG finding that MSHA had to forgo other statutory responsibilities in order to complete 100 percent of the mandated mine inspections. The Administrator for Coal Mine Safety and Health issued a written plan to ensure timely coal mine reviews, which MSHA will implement in the coming year. MSHA has completed its pending Top Management Challenge to ensure the consistency and rigor of the process to review and approve roof control plans and re-evaluate roof control plans for all mines. MSHA published the revised Accountability Handbook and continues to strengthen the Office of Accountability.

Ensure workers receive the wages due them.

ESA

Performance Goal 09-3C (ESA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2004 Goal Achieved	FY 2005 Goal Achieved	FY 2006 Goal Achieved	FY 2007 Goal Not Achieved	FY 2008 Goal Not Achieved	**FY 2009 Goal Achieved**
Number of workers for whom there is an agreement to pay or an agreement to remedy per 1,000 enforcement hours in complaint cases	Target	—	—	baseline	296	274	**275**
	Result	—	—	293	271	272	**290**
	*	—	—	Y	N	N	**Y**
	Cost	—	—	$112	$123	$123	**$126**
Percent of prior violators who achieved and maintained Fair Labor Standards Act (FLSA) compliance following a full FLSA investigation	Target	74%	72%	73%	77%	67%	**63%**
	Result	71%	72%	76%	66%	56%	**66%**
	*	N	Y	Y	N	N	**Y**
	Cost	—	—	$27	$30	$30	**$31**
Number of workers in low-wage industries for whom there is an agreement to pay or an agreement to remedy per 1,000 case hours	Target	—	—	—	304	422	**305**
	Result	—	—	—	418	302	**318**
	*	—	—	—	Y	N	**Y**
	Cost	—	—	$39	$45	$38	**$39**
Number of wage determination data submission forms processed per 1,000 hours	Target	baseline	1,506	1,491	1,852	2,662	**2,268**
	Result	1,491	1,667	1,834	2,636	2,246	**2,534**
	*	Y	Y	Y	Y	N	**Y**
	Cost	—	—	$23	$23	$35	**$36**
Average age (in months) of Davis-Bacon wage rates	Target	—	—	—	—	—	**93**
	Result	—	—	—	—	—	**41**
	*	—	—	—	—	—	**Y**
	Cost	—	—	—	—	—	—
Goal Net Cost (millions)		—	$214	$214	$221	$227	**$232**

Source(s): Wage and Hour Investigator Support and Reporting Database (WHISARD), statistically valid investigation-based compliance surveys, and Automated Survey Data System.

Legacy Data: Some indicators not shown for FY 2004-06. Complete indicators, targets and results for FY 2004-06 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 06-2.1A.

Note: *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 DOL and by other Federal agencies.

Program Perspective and Logic

The Wage and Hour Division's (WHD) mission is to promote and achieve compliance with labor standards to protect and enhance the welfare of the nation's workforce. Through WHD, the Department assures compliance with laws establishing minimum standards for wages and working conditions. These include the minimum wage, overtime, and youth employment provisions of the Fair Labor Standards Act (FLSA), the protections afforded to workers under the Migrant and Seasonal Agricultural Worker Protection Act and the Family and Medical Leave Act. WHD enforces field sanitation standards in agriculture and government contract prevailing wage statutes, and administers the wage determination provisions of the Davis-Bacon and Service Contract Acts.

The program's FY 2009 performance objectives were to maximize benefits for the greatest number of workers through efficient complaint resolution, to promote sustained compliance among investigated employers, to

As part of the agency's efforts to protect teens from hazardous working conditions, WHD conducted investigations in movie theaters throughout the country. Investigators found workers under 18 years old were routinely operating and loading trash compactors and paper balers in violation of the ban prohibiting these practices. Many of the youth were employed in theaters operated by American Multi-Cinema (AMC), which operates more than 350 movie theaters in 30 States. To resolve the current violations and prevent future violations, AMC agreed to pay over $140,000 in fines, committed to in-house training and compliance monitoring, and produced a public service announcement on child labor restrictions for operating paper compactors. The announcement, *"Work Safe Tip # 12: Talking Trash,"* was shown in all AMC theaters, on all screens, before all movies for four weeks beginning on Labor Day weekend in 2008. An estimated 8 million people saw the notice warning that no one under 18 is permitted to operate a commercial trash compactor. Photo Credit: DOL/ESA

increase compliance on behalf of low-wage workers in industries with the most persistent and serious violations, and to issue accurate and timely wage rates for workers on Federally-funded or assisted contracts. WHD balances its enforcement resources among three strategies – enforcement (complaint-driven and directed investigations), education and outreach, and partnerships. Directed investigations in low-wage industries – where workers are reluctant to complain – detect, remedy, and deter violations. Complaint investigations serve individual complainants and provide opportunities for detecting and remedying violations on behalf of other employees. Education and outreach activities promote voluntary compliance by employers. Partnerships leverage resources and broaden the program's impact. The wage determination strategies center on increased wage survey participation, timely processing of wage data submission forms, and effective verification of wage rate information.

WHD measures program efficiency for three of its four performance objectives. Performance indicators for complaint resolution and low-wage industry compliance promote efficient investigations and encourage the agency to secure remedies on behalf of all potentially affected workers. Complaint investigations have a positive effect on individual employers' future compliance, and directed enforcement initiatives deter violations and boost industry-wide compliance. Efficient handling of complaint and directed investigations can serve to promote compliance. The wage determination performance indicator tracks efficiencies in the review and analysis of survey data, which in turn drives the goal for improved timeliness of Davis-Bacon Act wage rates. While this measure reflects productivity related to a specific step in the wage determination process, it does not provide the public with an assessment of the currency or accuracy of the issued wage rates. For the fourth performance objective, WHD conducts an annual compliance survey of prior violators. These investigation-based compliance survey results are used to evaluate the agency's impact on employer behavior and test the effectiveness of various regional strategies on long-term compliance.

Changes in the economy, including in employees' and employers' economic security, have an impact on compliance with laws enforced by WHD. Factors such as the tightening of credit markets, use of multiple levels of subcontracting, and greater use of contingent workers can contribute to employer non-compliance. Higher levels of unemployment are among the factors affecting enforcement outcomes. WHD attributes fewer complaints and greater difficulty in identifying violations to workers' reluctance to discuss compliance issues given these economic trends. In recent years, back wage collections and the number of workers assisted increased despite the declining number of cases and complaints. WHD's recovery levels reflect its targeted enforcement strategy to conduct more resource intensive investigations to secure compliance on behalf of more workers.

Recovery Act

For FY 2009, the Recovery Act provided WHD an additional $22.0 million and 116 FTE to update prevailing wage determinations and enforce the government contract acts' labor standards provisions. WHD's objective is to ensure that the greatest number of workers on Recovery Act projects receive the wages and benefits to which they are entitled under the law. Increased education and outreach is intended to minimize coverage disputes and explain compliance principles to Federal, State, and local contracting agency staff who have limited experience with the program.

To address concerns that existing prevailing wage determination did not accurately reflect prevalent practices and wage rates on weatherization work, WHD conducted a nation wide wage determination survey of weatherization construction. WHD is expediting highway construction wage surveys, reducing the backlog of building and heavy construction surveys, and taking inventory of other wage determination surveys to determine which are outdated and should be replaced. To strengthen enforcement, WHD promoted senior investigators to act as advisors to the field staff. Their primary focus will be to train district managers and identify investigators to work on investigative teams when there is a Recovery Act complaint on file or a targeted Recovery Act investigation has been planned.

WHD is reaching out to contractors and their associations, employees and their representatives, and local community groups to provide information on Davis-Bacon requirements and rights. Specific activities include issuing guidance, creating a Web page for Davis-Bacon Act and Service Contract Act labor standards, publishing a revised edition of the Prevailing Wage Resource Manual, and numerous conferences and educational events. For more information, see http://www.recovery.gov/?q=content/program-plan&program_id=7705.

Analysis and Future Plans

In FY 2009, WHD achieved its performance goal by reaching all performance targets. WHD reached its target for improving efficiency of assistance to workers in low-wage industries. WHD will continue refining its targeting strategies based on the findings of its program evaluations in low-wage industries. Strategies will emphasize compliance in the agricultural industry where violations of safety and health standards are more likely to occur and where younger workers are employed.

The number of workers assisted per 1,000 enforcement hours in complaint cases improved to 290 in FY 2009 from 272 in FY 2008. WHD attributes this increase in efficiency to two factors. The average number of hours to conclude an investigation leveled, while the percentage of workers receiving back wages increased from FY 2008. WHD also received more complaints in FY 2009 than in the two years prior. Despite this success, a focus on efficiency in responding to complaints has also contributed, in part, to the deficiencies noted in the Government Accountability Office's audit entitled *Wage and Hour Division Needs Improved Investigative Processes and Ability to Suspend Statute of Limitations to Better Protect Workers Against Wage Theft*. As a result, WHD's complaint investigation program will be more customer-service oriented with an aim of increasing the involvement of workers and community organizations in identifying and reporting alleged workplace violations and using new technologies to improve customer service, transparency, and openness.

This past year, WHD saw a reverse in the most recent downward trend of increasing recidivism rates. The overall level of compliance among prior violators increased by 10 percentage points from 56 percent in FY 2008 to 66 percent in FY 2009. WHD will implement strategies for deterring recidivist behavior among employers and for targeting worst violators in all program areas for which the agency has responsibility. WHD has established, as a high priority, a goal of increasing compliance among prior violators. WHD will evaluate its success in reducing recidivism in FY 2010 and FY 2011.

Wage determination efficiency also increased in FY 2009. WHD processed 2,534 forms per 1,000 hours in FY 2009 – a 13 percent increase over the FY 2008 result. WHD has made rapid progress in processing survey data submission forms more efficiently. With the demands for accurate and timely wage determinations fueled by Recovery Act funding, WHD is implementing revised Davis-Bacon wage survey processes to improve the quality and timeliness of wage determinations. Further shift of emphasis from form processing to reengineering other steps in the wage determination process will further improve the average age of the Davis-Bacon wage rates issued by the agency.

Indicator	*	What worked	What didn't work
Complaint resolution rate	Y	• WHD refined its investigator basic training programs in FY 2008 and 2009. The addition of a new training director and the refinement and standardization of investigator training has contributed to improved efficiencies.	• While some efficiency improvements were realized, recent GAO audits have indicated that customer service and the quality of complaint case management has suffered as a result of the agency's concentration on efficiency at the expense of quality.
Compliance rate for prior violators	Y	• WHD regional offices have made a concerted effort to apply various strategies toward ensuring future compliance of investigated employers including emphasizing the quality of the initial investigations.	• Prior surveys largely captured violation cases from a period in which WHD was emphasizing quick resolution of complaint investigations. This emphasis on timeliness at the expense of quality may have resulted in lower compliance rates in FY 2007-2008.
Low-wage case efficiency	Y	• WHD refined its investigator basic training programs in FY 2008 and 2009. The addition of a new training director and the refinement and standardization of investigator training has contributed to improved efficiencies.	• While efficiency has improved, this indicator does not reflect compliance levels or improvements as a result of WHD's efforts in low-wage industries. The improvements in the indicator are too readily influenced by individual cases.
Wage determination efficiency	Y	• WHD resolved data entry and review errors by retraining regional survey staff.	• Improved procedures are not yet fully implemented.
Average age of Davis-Bacon wage rates	Y	• Revised survey processes improved timeliness and helped improve frequency of determinations.	• Improving other steps in the process will take more time.

Program Performance Improvement Plan

- Over the next year, WHD will transition from the three efficiency indicators to performance measures that reflect the agency's emphasis on quality-driven customer service and on its strategies to change compliance levels in high-risk industries that employ the most vulnerable workers. To this end, WHD will implement several customer service goals to promote improved responsiveness to complainants who seek WHD services and to increase the agency's visibility and accessibility among vulnerable worker populations. WHD customer service strategies will be designed to increase the benefits of filing a complaint with WHD when workers have been subject to an alleged violation—particularly in industries in which violations are high and complaints are low.
- In FY 2010, WHD will begin measuring compliance levels in industries and program areas by conducting baseline investigation-based compliance surveys. These surveys, in addition to providing measures of compliance, inform WHD on the likely causes of violative behavior and point to strategies for addressing high violation rates industry-wide.
- WHD will refine its investigation-based recidivism survey to more accurately assess employer behavior and to account for improvements in compliance that cannot be attributed to a WHD intervention. An independent evaluation of WHD enforcement efforts targeting recidivism will help WHD refine its strategies for securing long-term sustained compliance.
- WHD will also implement revised Davis-Bacon Act prevailing survey procedures in FY 2010 that will allow the agency to update wage determinations more timely.

*Target reached (Y), improved (I), or not reached (N)

Net costs of WHD activities increased by three percent from FY 2008-2009 due to increases in the FY 2009 funding level for WHD.

In 2010, WHD's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality;*
- *Securing wages and overtime;*
- *Breaking down barriers to fair and diverse workplaces so that every worker's contribution is respected;*
- *Providing workplace flexibility for family and personal care-giving;*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs;*
- *Voice in the workplace; and*
- *Helping middle-class families remain in the middle-class.*

Several significant developments will impact WHD's operations in FY 2010. The first, a regulatory effort related to the Immigration and Nationality Act's H-2A program will result in increased enforcement to ensure compliance with applicable labor standards statutes in the agricultural industry. The second development, the multi-billion dollar Federal investment in infrastructure construction, will result in increased resources to enforce applicable labor laws in the construction industry. The third development also relates to the Immigration and Nationality Act. Under a delegation of authority from the Department of Homeland Security, WHD will assume labor standards enforcement responsibility under the H-2B temporary guest-worker program. Under this program, employers are certified by the Department of Labor to employ foreign temporary non-immigrants in a number of low-skilled occupations.

Program Assessments, Evaluations and Audits

Findings and recommendations from a Wage and Hour Enforcement and Compliance Program assessment completed in 2006 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Standardizing the organizational process for developing and monitoring strategic partnerships.* To increase the effectiveness of its compliance assistance partnership programs, WHD required all regional and local partnerships to capture and report their outputs related to their partnerships.
- *Reviewing and implementing recommendations of independent evaluations to improve program performance and efficiency.* WHD implemented the recommendations from an evaluation of the agency's enforcement efforts in low-wage industries in its local planning. The recommendations outlined approaches for more effectively targeting FLSA violators in priority low-wage industries and ensuring that corresponding performance targets promote ambitious outcomes.

More information is at http://www.whitehouse.gov/omb/expectmore/summary/10003908.2006.html.

The Prevailing Wage Determination Program, which was assessed in 2003, made the following progress in FY 2009:

- *Modifying wage survey and outreach strategies to improve data collection processes.* WHD has implemented new survey procedures to improve the wage survey and data collection processes to reduce the average age of Davis-Bacon wage rates. WHD also updated the Automated Survey Data System guide to ensure consistent protocols among survey staff.
- *Improving program management by establishing a new-hire and refresher training program for Wage Analyst, Wage Specialists, and Construction Industry Research and Policy Center staff.* WHD implemented a training program for regional and national WHD staff and for the University of Tennessee's Construction Industry Research and Policy Center to improve program management.

For more information, see http://www.whitehouse.gov/omb/expectmore/summary/10001099.2003.html

Independent evaluations and audits completed in FY 2009 are summarized below.

"Department of Labor: Wage and Hour Division Needs Improved Investigative Processes and Ability to Suspend Statute of Limitations to Better Protect Workers Against Wage Theft," July 2009 (GAO)	
Relevance: In response to a congressional request, GAO examined WHD's complaint and conciliation processes and policies.	
Findings and Recommendations:	***Actions:***
• Revise policies and processes to better ensure that relevant case	• WHD has revised the Field Operations

information is recorded in WHD's database. • Assess WHD's complaint intake and resolutions processes and revise them as appropriate. • Explore providing more automated research tools to WHD personnel that would allow them to identify key information used in investigating complaints such as bankruptcy filings. • Explore gaining access to information maintained by the Internal Revenue Service (IRS) and other agencies as needed through voluntary consent from business being investigated. • Monitor the extent to which new investigators and existing staff are able to handle the volume of wage theft complaints, and if not, what additional resources may be needed.	Handbook (FOH) and will be retraining all staff on the agency's policies and procedures for entering all complaints into the Wage and Hour Investigator Support and Reporting Database (WHISARD). • WHD has reintroduced customer service goals and measures in its annual performance plan. • WHD has begun pricing requirements for a variety of automated resource tools. • WHD is in the process of hiring 250 new investigators.
Additional Information: The report (GAO-09-629) is available at http://www.gao.gov/products/GAO-09-629.	
"Employee Misclassification: Improved Coordination, Outreach, and Targeting Could Better Ensure Detection and Prevention," September 2009 (GAO)	
Relevance: In response to a congressional request, GAO examined the extent of misclassification of employees as independent contractors; actions DOL and IRS have taken to address misclassification, including the extent to which they collaborate with each other, States, and other agencies; and options that could help address misclassification.	
Findings and Recommendations: • GAO found that by not regularly sharing information on cases involving misclassification, Federal and State agencies are losing opportunities to protect workers and to make the most effective use of their resources. • GAO recommended an increase in WHD's focus on misclassification of employees as independent contractors during targeted investigations, and that WHD and OSHA share information on cases involving misclassification to enhance efforts to protect workers and make the most effective use of resources. • To identify promising practices in addressing misclassification and use agency resources most effectively, GAO recommended that DOL and IRS establish an interagency effort with other Federal and State agencies. GAO also recommended that DOL and IRS collaborate to offer education and outreach to workers on classification rules and implications and related tax obligations.	***Actions:*** • WHD will increase its focus on employee classification during targeted investigations, and is reexamining its training documents and the FOH to ensure that employee classification is addressed during all stages of an investigation. Also, WHD will focus on increasing compliance for workers in industries where misclassification is prevalent. • WHD and OSHA committed to exchanging information about cases involving misclassification. WHD and OSHA will work closely with State and other relevant agencies to enhance efforts to protect workers. • DOL and IRS are exploring opportunities to collaborate to prevent and respond to employee misclassification.
Additional Information: The report (GAO-09-717) is available at http://www.gao.gov/cgi-bin/getrpt?GAO-09-717.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[39] With the exception of the wage determination measures, performance information is extracted from the Wage and Hour Investigator Support and Reporting Database (WHISARD), the agency's record of investigative case findings and investigator enforcement time. Investigative case records are reviewed by WHD management staff and are the subject of internal accountability reviews. The data are reported quarterly and performance statistics are considered throughout the agency's strategic planning process. In FY 2008, WHD completed its fourth study to verify the accuracy and reliability of data reported in WHISARD. For data used to develop wage determinations, WHD implemented a time reporting process to ensure accurate and timely reporting. WHD tabulates and reviews the data monthly to ensure accuracy.

[39] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

Federal contractors achieve equal opportunity workplaces.

Performance Goal 09-3D (ESA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2004 Goal Achieved	FY 2005 Goal Achieved	FY 2006 Goal Achieved	FY 2007 Goal Achieved	FY 2008 Goal Not Achieved	**FY 2009 Goal Not Achieved**
Discrimination rate for audited federal contractors	Target	9%	7%	6%	2%	1%	**1%**
	Result	1%	2%	1.7%	1%	2%	**1.9%**
	*	Y	Y	Y	Y	N	**N**
	Cost	—	—	$68	$72	$71	**$72**
Compliance rate for all other Equal Employment Opportunity (EEO) requirements	Target	61%	62%	64%	86%	89%	**90%**
	Result	91%	86%	87.2%	88%	86%	**84.4%**
	*	Y	Y	Y	Y	N	**N**
	Cost	—	—	$29	$31	$31	**$31**
Goal Net Cost (millions)		—	$99	$97	$103	$102	**$102**

Source(s): Case Management System (CMS).

Note: *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 DOL and by other Federal agencies.

Program Perspective and Logic

The Employment Standards Administration's Office of Federal Contract Compliance Programs (OFCCP) administers and ensures compliance with two equal employment opportunity laws and one executive order that prohibit Federal contractors and subcontractors from discriminating on the basis of race, color, religion, sex, national origin, disability, and protected veterans' status. The laws are: Section 503 of the Rehabilitation Act of 1973, and the Vietnam Era Veterans' Readjustment Assistance Act of 1974. The executive order is Executive Order 11246.

Through fair and effective enforcement of these laws, the Department seeks to ensure that Federal contractors provide equal employment opportunity to all applicants. Reduced incidence of discrimination among audited federal contractors demonstrates a positive correlation between targeted enforcement and compliance assistance activities with performance results. While these results reflect only the Federal contractors audited in one fiscal year, they do allow OFCCP to determine its progress in identifying and deterring discrimination among audited contractors.

Initiatives implemented in the last several years have enabled OFCCP to become a more effective and efficient civil rights enforcement agency. For example, enforcement efforts now focus on systemic discrimination or cases involving a significant number of workers or applicants subjected to discrimination. The Data Integrity Team Initiative has resulted in fewer hours spent researching contractor jurisdiction, improved case management, and increased resources for systemic discrimination cases. Finally, OFCCP's Compliance Assistance Program raises contractor awareness of equal employment opportunity obligations and encourages self-evaluations through one-on-one customer assistance, online tools and resources that teach contractors how to comply with Federal employment laws, regional and area offices' technical assistance seminars, Webinars, town hall meetings and partnership with the industry liaison groups.

Recovery Act

The OFCCP received $7.2 million and 50 FTE through the Recovery Act. OFCCP is using this additional funding to evaluate the personnel practices of Federal contractors and subcontractors according to the following plan:

- Conduct compliance evaluations of construction contractors in receipt of Recovery Act funding and grants.
- Conduct compliance evaluations of supply and service contractors in receipt of Federal contracts through Recovery Act funding.
- Conduct a limited number of pre-award reviews of new supply and service contractors with contracts of $10 million or more.
- Evaluate compensation practices of Recovery Act contractors.
- Recommend enforcement for contractors where discrimination is identified or access denied and conciliation efforts have failed.
- Schedule outreach events for first time contract recipients, current Federal contractors, and contracting officers to educate on EEO requirements.

The Good Faith Initiative for Veterans Employment (G-FIVE) program recognizes contractors' good faith efforts and best practices to employ and advance veterans. Standing before the OFCCP G-FIVE exhibit at the Veterans' Employment and Training Service (VETS) annual Salute to Veterans Program are James Pierce, Director of the Functional Affirmative Action Plan Unit, Armando Fernandez, Senior Equal Opportunity Specialist, and Terry Hankerson, Chief, Regulations Development & Evaluation Branch. Photo Credit: DOL/ESA

By the end of FY 2009:

- OFCCP reassigned or hired 44 of 50 FTEs, or 88 percent.
- OFCCP implemented an active Recovery Act Web page, which provides information to the general public and vested stakeholders.
- OFCCP participated in a joint OFCCP-WHD Prevailing Wage Recovery Act conference in July 2009 that included workshops for new federal contractors, construction contractors, and Federal contractor/procurement officers.
- Several Regional Offices hosted local Recovery Act forums and on September 9, 2009, OFCCP hosted its first National Recovery Act Forum in Washington, DC.

For more information, see http://www.recovery.gov/?q=content%2Fprogram-plan&program_id=7626.

Analysis and Future Plans

The performance goal for OFCCP was not achieved in FY 2009. OFCCP did not reach its target for reducing the discrimination rate among audited federal contractors. OFCCP also did not reach its target for increasing the compliance rate for all other equal employment opportunity requirements. This was due to fewer compliance evaluations closed against an increase in the number of cases where technical violations were found. During FY 2010, OFCCP plans to evaluate the methodology for scheduling federal contractors for compliance evaluations.

Indicator	*	What worked	What didn't work
Discrimination rate	N	• Via routine compliance evaluations of scheduled Federal contractors, with the assistance of the SOL, OFCCP determined and resolved 77 systemic discrimination cases, benefiting more than 21,820 workers.	• OFCCP is finding more systemic cases and completing fewer compliance evaluations – which increases the discrimination rate.
Other EEO compliance rate	N	• In FY 2009, OFCCP increased its compliance assistance events by more than 20 percent above the number of events held in FY 2008.	• The number of completed compliance evaluations decreased while the number of cases where technical violations were found increased.

Program Performance Improvement Plan
• Continue efforts to target likely violators and resolve findings of discrimination. OFCCP will also increase its compliance assistance efforts to educate and inform its contractor community. The outcome of these performance plans will support breaking down barriers to fair and diverse work places.

*Target reached (Y), improved (I), or not reached (N).

Net costs of OFCCP activities were virtually unchanged from FY 2008-2009.

In 2010, OFCCP's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality;*
- *Breaking down barriers to fair and diverse work places so that every worker's contribution is respected;*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs; and*
- *Voice in the workplace.*

Program Assessments, Evaluations and Audits

Findings and recommendations from an assessment completed in 2004 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Exploring the development and implementation of new performance measures with challenging targets for all agency performance goals.* Commencing in FY 2010, OFCCP proposes that its performance indicators be revised to measure its success in detecting and resolving all discrimination, not just systemic. In addition, OFCCP will seek to measure its success in increasing the percentage of compliance evaluations where no violations are found. This measure will be tied to OFCCP's compliance assistance efforts. Finally, OFCCP will expand some of the data fields in its current Case Management System to assist in the measurement of its performance and accomplishments.
- *Continuing to modernize the agency's data collection system.* A Statement of Work for the new Federal Contract Compliance System has been submitted for funding in FY 2010. Upon approval of funding, OFCCP will begin the development stage of the new system in 2010 and have it fully operational by FY 2012.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10000332.2004.html.

Data Quality and Top Management Challenges

Data quality for this performance goal remains Very Good.[40] OFCCP continues to explore its capability to support the develop and report on alternative measures to improve measurement validity. As discussed earlier, performance results reflect compliance and discrimination rates among a different set of contractors each year. Nonetheless, issues related to programming capabilities and overall database system efficiency limit the extent to which further improvements and changes can be realized. A replacement system remains a top funding priority.

OFCCP maintains robust quality controls for its core data on systemic discrimination, case closures, and violations – the principal data reported in this report. The data are cross-checked at several organizational levels and used in evaluating manager performance. In addition, OFCCP's multi-divisional data integrity team audits the data system for data quality. Examples of OFCCP's good data quality practices include updating the Case Management System with compliance audit data supporting performance goals, which are available in monthly, quarterly, and annual reports; and implementing a Business Process Rule which enforces the data collection requirements and responsibilities of each organizational level. This effort further enhances the timing and accuracy of data entries completed at field offices.

[40] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

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

Performance Goal 09-3E (VETS)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2006 Goal Achieved	FY 2007 Goal Achieved	FY 2008 Goal Not Achieved	**FY 2009 Goal Not Achieved**
USERRA Progress Index (measures compliance and assistance performance)	Target	105%	101%	115%	**110%**
	Result	108%	113%	106%	**99%**
	*	Y	Y	N	**N**
Goal Net Cost (millions)		$11	$10	$10	**$10**

Source(s): USERRA Information Management System (UIMS).

Note: *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 DOL and by other Federal agencies.

Program Perspective and Logic

The Department's Veterans' Employment and Training Service (VETS) is responsible for protecting employment and reemployment rights of persons who are current or former members of the uniformed services, and who encounter barriers in civilian employment related to their service. These rights and protections were established by the Uniformed Services Employment and Reemployment Rights Act (USERRA).

VETS provides a range of USERRA-related services, from providing compliance assistance to employers and protected individuals, to thoroughly investigating claims filed by individuals alleging that their USERRA rights have been violated, to referring claims that the agency is unable to resolve to the Department of Justice or the Office of the Special Counsel, as appropriate, for those agencies to consider whether to provide the claimant with legal representation regarding their claim.

In recent years, goal achievement has been measured using a comprehensive Progress Index that sought to assess, in a single measure, the agency's success in reducing violations and meritless claims through compliance assistance, and in investigating claims in a timely manner.[41] As explained in the next section, VETS is conducting research on measures that will be clearer and more transparent. In the meantime, the index will be replaced by two timeliness measures.

Analysis and Future Plans

The goal was not achieved, largely due to the effects of a significant increase in VETS' USERRA claims compared to the previous years in this goal cycle. VETS' overall USERRA claims increased by eight percent in FY 2009 compared to FY 2008, continuing an upward trend after a 15 percent increase from FY 2007 to FY 2008. These increases were due in part to the sunset of a Congressionally-mandated demonstration program that shifted responsibility for

[41] The index consolidates indicators of cases and assistance (non-case-related contacts) using weights for each element that are determined by service priorities. It consists of seven compliance indicators and one assistance indicator. The compliance sub-indicators are: 1) Number of Guard/Reserve demobilized per USERRA claim filed by Guard/Reserve, 2) Number of Guard/Reserve demobilized per USERRA claim filed by Guard/Reserve in primary issues (Reinstatement and Military Obligations Discrimination), 3) Number of USERRA violations, 4) Number of USERRA violations in primary issues, 5) Number of meritless USERRA claims, 6) Number of meritless USERRA claims in primary issues, and 7) Average days cases remain in VETS jurisdiction. The assistance indicator is the number of USERRA assistance contacts per Guard/Reserve mobilized and demobilized. The Employer Support for the Guard and Reserve, an agency in the Department of Defense, also provides outreach and handles USERRA inquiries. However, that agency is outside the scope of VETS' Progress Index.

roughly half of all Federal USERRA claims to the U.S. Office of Special Counsel from February 2005 through December 2007.

Compliance assistance efforts will continue to focus on National Guard and Reserve components, because they are the source of most USERRA claims. In FY 2008, for example, claims by National Guard and Reservists accounted for 83 percent of total claims. VETS expects this trend to continue and possibly increase due to continued use of the National Guard and Reserve in America's ongoing wars overseas.

VETS is committed to continuous improvement of its USERRA program, and toward that end conducted a rigorous independent process evaluation using the Lean Six Sigma method. The study, just completed at the end of September, yielded recommendations for improving effectiveness of USERRA services to veterans that will be reviewed in early FY 2010. Also in FY 2010, VETS will assess performance of this program by timeliness of investigations and referrals. Other outcome-oriented indicators will be added in FY 2011.

Indicator	*	What worked	What didn't work
Progress Index	N	• VETS' focus on expediting USERRA claims resulted in a 17 percent reduction in average case investigation time from FY 2008.	• VETS experienced an increase in USERRA claims compared to the previous years in this goal cycle. This increase, in part, can be attributed to the continued deployment of National Guard and Reserve Forces, the largest source of most USERRA claims.
Program Performance Improvement Plan			
• Independent process evaluation of VETS' USERRA program using the Lean Six Sigma method will provide recommendations to improve performance and metrics. VETS will use interim performance measures that target the timeliness of investigations and referrals.			

*Target reached (Y), improved (I), or not reached (N)

Net costs of USERRA activities were virtually unchanged from FY 2008-2009.

In 2010, VETS's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Increasing workers' incomes and narrowing wage and income inequality;*
- *Breaking down barriers to fair and diverse work places so that every worker's contribution is respected;*
- *Providing workplace flexibility for family and personal care-giving; and*
- *Helping middle-class families remain in the middle-class.*

Program Assessments, Evaluations and Audits

As indicated above, USERRA processes are undergoing evaluation in a study to be completed in December 2009.

Data Quality and Top Management Challenges

Data quality for this performance goal was rated *Good*.[42] While the data are complete and timely, there is room for improvement in verifiability and reliability. These aspects of the UIMS are being addressed by Quality Assurance Reviews at State, regional, and national levels and through the Lean Six Sigma evaluation referenced above. VETS has no DOL top management challenges.

[42] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

Strategic Goal 4: *Strengthened Economic Protections*

Protect and strengthen worker economic security through effective and efficient provision of unemployment insurance and workers' compensation; ensuring union transparency; and securing pension and health benefits.

DOL increases the economic security of America's working families by administering payment of temporary benefits for the unemployed, protecting Federal workers from the economic effects of work-related injuries and illness; ensuring that labor union operations are transparent; protecting employee benefits plans against fraud, abuse, and mismanagement; and insuring defined benefit pension plans. These operations are carried out by three DOL agencies and a government corporation whose board is chaired by the Secretary of Labor:

- Employment and Training Administration (ETA),
- Employment Standards Administration (ESA),
- Employee Benefits Security Administration (EBSA), and
- Pension Benefit Guaranty Corporation (PBGC).

For these agencies, protecting America's workers means protecting their economic security. DOL provides benefits and enforces laws that provide a safety net for workers and ensure transparency among the unions that represent them. Every employee faces unforeseen risks, and these agencies work to ensure that unemployed workers receive benefits; that workers in certain industries receive compensation when injured or fall victim to job-related illnesses; that pension contributions and health benefits are secure; and that unions conduct democratic elections and make their financial records transparent. Here are a few highlights of FY 2009 results:

For the Unemployed

- Results for all four indicators of performance for Unemployment Insurance administration were lower than those reported last year, due to a 70 percent increase in new claims tied to the recession and new temporary benefit programs created to assist unemployed workers.

For the Injured or Ill Worker

- Federal non-postal employees lost just 35 days of work per 100 employees, continuing a steady downward trend that began at 62 days in FY 2004.
- Dramatic improvements were achieved in processing nuclear industry workers' initial benefit claims. Energy program Part B claims took, on average, 113 days vs. 164 just last year; Part E claims took 159 days vs. last year's 284.

Jill had worked for her former employer for three years when she became too ill to work. Three months later her doctor gave her permission to return to work. Upon returning she was devastated to find that her position had been eliminated during her absence. With the assistance of Maine's Reemployment and Eligibility Assessment (REA) program – a program funded by DOL – Jill learned how to turn her passion for baking into her own business. It was an instant success: she made her first profit in four months. Jill started with 8 bakers and now has 15 working for her. These bakers all have State certified kitchens and thanks to Jill and the REA program they no longer need to collect unemployment benefits. Currently, Jill is in the process of expanding her business. The only thing expanding faster than the reputation of her bakery is its reputation for excellence. Jill's establishment has been featured in all the local newspapers and magazines for her exquisite bakery confections. Earlier this year the MSEA, SEIU Local 1989 ran a feature on her and her bakery in all the Maine newspapers. It is no wonder that Jill is being considered for "Small Business Woman of the Year". If it happens, she certainly deserves it! Photo Credit: Maine Department of Labor

For Union Members

- Audit effectiveness, as measured by the percent of targeted union audits that resulted in the opening of a criminal case, improved from the FY 2008 baseline of 11.5 percent to 12.1 percent.
- Resolution of union officer election complaints took an average of 70 days – down from 92 days in FY 2008.

For Workers with Retirement and other Employer-provided Benefits

- Employee Retirement Income Security Act (ERISA) fiduciary violations were corrected in 72 percent of the civil cases closed during FY 2009.
- Pension insurance program customers' satisfaction for trusteed plan participants increased for the third consecutive year (to 82 percent). The length of time it takes to make a benefit determination, however, increased to an average of 3.8 years.

For more specific information on the programs, see the Performance Goal narratives.

The following table provides net costs for all performance goals and indicators associated with this strategic goal.[43]

Goal or Indicator	Net Costs ($Millions)[44]		
	FY 2007 PY 2006	FY 2008 PY 2007	FY 2009 PY 2008
Strategic Goal 4: *Strengthened Economic Protections*[45]	**$38,495**	**$48,957**	**$128,640**
Performance Goal 09-4A (Unemployment Insurance) 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.	34,647	45,035	123,541
Mandated benefit payments[46]	*32,069*	*42,281*	*120,300*
Percentage of intrastate UI first payments made within 14 days in states with a waiting week and 21 days if no waiting	–	–	–
Dollar amount established for recovery as a percentage of estimated overpayments that states can detect and recover under state law	–	–	–
Percentage of UI claimants who received a first payment in a given quarter who entered employment within the subsequent quarter	–	–	–
Percentage of determinations about UI tax liability of new employers made within 90 days of the end of the first quarter they became liable	–	–	–
Dollars not associated with indicators	*2,645*	*2,755*	*3,241*

[43] Rows labeled "Dollars not associated with indicators" indicate costs that cannot be associated with the current set of performance indicators. For some goals, indicator costs are intentionally combined by merging cells because program activities are not separable into categories associated with one or another of them (e.g., job training program common measures – entered employment, employment retention and average earnings).

[44] *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 DOL and by other Federal agencies. Sums may not equal higher level totals due to rounding.

[45] Costs for Performance Goal 09-4E (PBGC) are not referenced because the Corporation's financial statements are not part of the Department's consolidated statements. PBGC's financial statements can be found in their Annual Management Report at http://www.pbgc.gov/doc/2009AMR.pdf.

[46] Mandatory benefit payments for Unemployment Insurance and Workers' Compensation programs account for most costs for Performance Goals 09-4A and 09-4B. Because performance indicators and the Department's managerial cost accounting system that generates this information are designed to inform analysis and decision-making related to discretionary budgets and program management, such payments are shown separately and not included in allocation cost models.

Performance Goal 09-4B (Workers' compensation) Reduce the consequences of work-related injuries.	3,554	3,693	4,878
Mandated benefit payments	*3,050*	*3,204*	*4,458*
Federal Employees' Compensation Act (FECA) Program *Lost production days rate (LPD per 100 employees) for all government agency cases*	*7*	*7*	*8*
Lost production days rate (LPD per 100 employees) for the United States Postal Service	*7*	*7*	*8*
First-year benefit savings realized as a result of periodic beneficiary roll management review (in millions of dollars)	*34*	*15*	*18*
Rate of change in the indexed cost per case receiving medical treatment compared to the Milliman USA Health Cost Index	*40*	*25*	*33*
Targets for six communications performance areas	*12*	*8*	*10*
Longshore and Harbor Workers' Compensation Program *Average days required to resolve disputed issues in contested cases*	*6*	*4*	*5*
Division of Coal Mine Workers' Compensation *Average number of days to render a decision on a claim*	*26*	*17*	*19*
Percent change in Black Lung average medical treatment cost for the previous year compared to the National Health Expenditure Projection	–	*2*	*3*
Energy Employees Occupational Illness Compensation Program *Average number of days to process Part B initial claims*	*185*	*60*	*19*
Average number of days to process Part E initial claims	–	*58*	*18*
Percent of Part B and Part E final decisions processed within 180 days where there is a hearing or 75 days where there is no hearing	*18*	*18*	*11*
Dollars not associated with indicators	*172*	*270*	*270*
Performance Goal 09-4C (Labor-Management Standards) Ensure union financial integrity, democracy and transparency.	68	58	56
Union receipts audited per staff day	–	–	–
Percent of audits resulting in a criminal investigation	*35*	*29*	*30*
Percent of unions filing reports electronically	*16*	*11*	*11*
Average number of days to resolve union officer election complaints	*13*	*14*	*12*
Dollars not associated with indicators	*4*	*3*	*3*
Performance Goal 09-4D (EBSA) Enhance pension and health benefit security.	176	170	165
Ratio of closed civil cases with corrected fiduciary violations to civil closed cases *Ratio of criminal cases accepted for prosecution to cases referred*	*103*	*102*	*117*
Applications for Voluntary Compliance programs	–	–	–
Dollars not associated with indicators	*44*	*68*	*48*

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

eta

Performance Goal 09-4A (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2004 Goal Not Achieved	FY 2005 Goal Not Achieved	FY 2006 Goal Not Achieved	FY 2007 Goal Not Achieved	FY 2008 Goal Not Achieved	**FY 2009 Goal Not Achieved**
Percentage of intrastate UI first payments made within 14 days in States with a waiting week and 21 days if no waiting	Target	89.2%	89.9%	89.9%	90.0%	88.4%	**85.7%**
	Result	90.3%	89.3%	87.6%	88.2%	86.8%	**83.8%*** *
	*	Y	N	N	N	N	**N**
Dollar amount established for recovery as a percentage of estimated overpayments that States can detect and recover under State law	Target	59%	59.5%	59.5%	60.0%	56.0%	**51.8%**
	Result	57.4%	58.7%	62.1%	54.8%	56.2%	**54.9%*** *
	*	N	N	Y	N	Y	**Y**
Percentage of UI claimants who received a first payment in a given quarter who entered employment within the subsequent quarter	Target	—	—	baseline	65.0%	65.2%	**59.0%**
	Result	—	—	62.4%	65.1%	62.5%	**58.0%*** *
	*	—	—	Y	Y	N	**N**
Percentage of determinations about UI tax liability of new employers made within 90 days of the end of the first quarter they became liable	Target	82.2%	82.4%	82.5%	82.8%	84.9%	**88.7%**
	Result	83.6%	82.4%	83.7%	85.6%	84.9%	**84.1%*** *
	*	Y	Y	Y	Y	Y	**N**
Goal Net Cost (millions)		—	$34,243	$33,340	$34,697	$45,035	**$123,541**

Source(s): Payment Timeliness: ETA 9050 and 9050p reports; Payment Accuracy: Benefit Accuracy Measurement (BAM) program and ETA 227 report; Facilitate Reemployment: ETA 9047 report; New Status Determinations Timeliness: ETA 581 Report.

Legacy Data: Some indicators not shown for FY 2004-05. Complete indicators, targets and results for FY 2004-05 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 06-2.2B.

Note: *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 DOL and by other Federal agencies. Approximately $2 billion of the net cost is for administration; the rest is for benefit payments to individuals. Costs are not allocated to the indicator level because performance indicators do not map to administrative cost categories or benefit payments. DOL collects information on State spending of UI grant funds; however, the categories in which cost data are collected are generally functional or workload categories – initial claims, continued claims, eligibility determination, appeals, employer accounts, tax audits, overhead, and infrastructure costs such as space and information technology.

Program Perspective and Logic

By temporarily replacing part of unemployed workers' lost wages, the Federal-State Unemployment Insurance (UI) system reduces individual financial hardship resulting from unemployment and stabilizes the economy during economic downturns. States operate their own programs under their own laws, which must conform to and substantially comply with Federal law. As the Federal partner, DOL provides program leadership, allocates administrative funds, provides technical assistance, and exercises performance oversight to ensure that State partners meet Federal UI laws and regulations. Measuring efficiency and effectiveness of States' administrative operations is an important aspect of program management. For both workers and employers, success is measured by timely payment of benefits; payment accuracy; prompt determination of new employers' tax liabilities; and promoting reemployment of claimants in suitable work.

As economic conditions change, the resulting workloads affect many aspects of the UI system performance. For example, when unemployment rises, more claims are filed and UI payment timeliness generally declines. On the other hand, although business creation slows when unemployment rises, reducing the number of new employer tax accounts, the timeliness of tax liability determinations may nevertheless decrease as States move staff to claims-taking and adjudication activities. In addition, non-economic events such as hurricanes and other natural disasters can be extensive enough to affect aggregate UI system performance. Performance targets are based on economic forecasts, which are subject to change.

Recovery Act

Unemployment Insurance Administration State Grants

The Assistance for Unemployed Workers and Struggling Families Act, Title II of Division B of the Recovery Act, provided for an immediate special transfer of administrative funding to all States totaling $500 million. On March 2, 2009 - just two weeks after passage of the Recovery Act – the Department made these funds available to all States and territories. States may use the administrative transfer only for:

- Implementing and administering the provisions of State law that qualify the State for incentive payments;
- Improved outreach to individuals who might be eligible by virtue of these provisions;
- The improvement of unemployment compensation (UC) benefit and tax operations, including responding to increased demand for UC; and
- Staff-assisted reemployment services for UC claimants.

Under the Recovery Act, each State's share is calculated based on its proportion of the Federal Unemployment Tax Act (FUTA) taxable wages. For more information, see http://www.recovery.gov/?q=content%2Fprogram-plan&program_id=7669.

Unemployment Insurance Modernization Incentive Payments

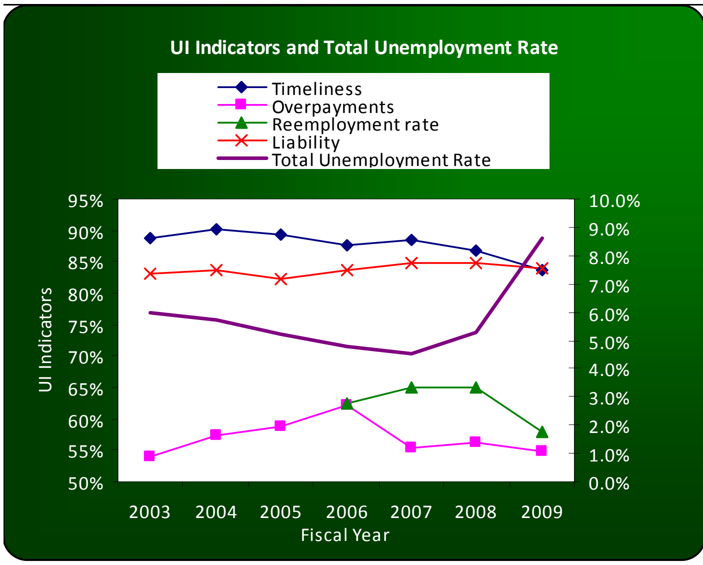
The Recovery Act made a total of $7 billion available in UI modernization incentive payments to States that include certain benefit eligibility provisions in their State UI programs. Each State can qualify for a share of those funds by showing that its law includes certain provisions. Detailed information on qualifying may be found at http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2715. As of September 2009, UI modernization incentive payments totaled $2.6 billion. Thirty-two States enacted monetary eligibility requirements to qualify for one-third of the payments available to the State. Nineteen States enacted other eligibility provisions to qualify for the remaining two-thirds incentive payments. Summary information on UI Modernization incentive payments by State is available at http://workforcesecurity.doleta.gov/unemploy/docs/app_form.doc. Information on approved applications is available at http://www.doleta.gov/recovery/#PressReleases.

Emergency Unemployment Compensation (EUC08)

This program was created in June 2008 to provide additional 100 percent federally-funded benefit payments to individuals who exhausted their regular unemployment compensation and have no other rights to extended benefits. Tier 1 provides up to 20 weeks of unemployment compensation to eligible individuals in all States. Tier 2 expanded the program by providing up to 13 weeks of additional benefits for eligible individuals in States with high unemployment. The Recovery Act expanded Tier 2 benefits to include claimants exhausting Tier 1 benefits after March 31, 2009 and establishing eligibility for *all* claimants for unemployment beginning after August 27, 2009. Through August 2009, the Recovery Act has funded nearly $3.3 billion of nearly $20 billion paid to EUC08 claimants. For more information on EUC, see http://workforcesecurity.doleta.gov/unemploy/euc.asp.

Federal Additional Compensation (FAC)

The FAC program provides a $25 weekly supplement to the unemployment compensation of eligible claimants. This supplement, as well as additional administrative expenses incurred by the State in paying the supplement, is 100 percent federally-funded. Most individuals receiving Federal and State unemployment benefits receive the FAC supplement. Through June 2009, States issued a total of 141 million payments totaling $3.5 billion in benefits. For more information on FAC, see http://workforcesecurity.doleta.gov/unemploy/fac.asp.



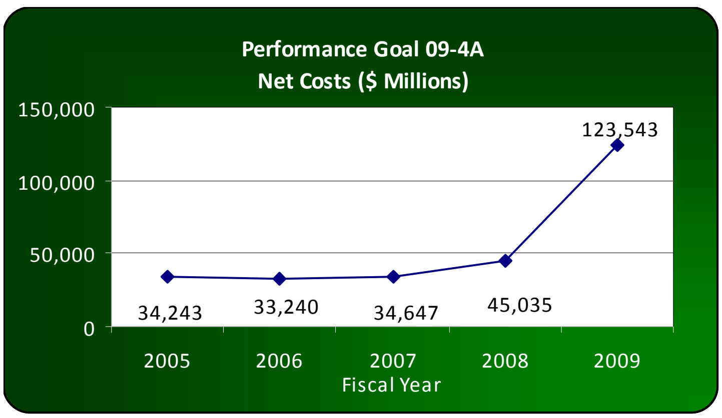
Analysis and Future Plans

The FY 2009 goal was not achieved; only one of four targets was reached. The target for detection and establishment for recovery of UI overpayments was reached. States have increasingly used crossmatches with the National Directory of New Hires (NDNH) to accelerate detection of fraud (employed claimants are the largest single cause of detectable overpayments). Earlier detection reduces the number of overpaid weeks. Targets for UI first payment timeliness, reemployment of UI claimants, and timely completion of UI tax liability determinations for new employers were not reached. Greater than expected deterioration in the economy led to a 70 percent increase in new claims, including new temporary programs. Timeliness results suffered, as many States experienced funding and staffing problems and others encountered capacity limitations of aging computer systems and call centers. Although States are making use of reemployment and eligibility reviews to match claimants with available jobs, adverse labor market conditions prevented them from reaching the target. Tax liability determinations usually speed up in economic downturns as business formation slows. However, in this severe recession, budgetary problems and staffing pressures have forced many States to divert tax staff to perform claims activities.

Indicator	*	What worked	What didn't work
First payment timeliness	N		• The sharp increase in UI benefit claims overwhelmed the capacity of most State agencies to meet the timeliness target.
Reduce overpayments	Y	• State Benefit Payment Control (BPC) operations significantly increased overpayment detections due to appeals reversals and the use of crossmatches with the National Directory of New Hires (NDNH).	
Facilitate reemployment of UI claimants	N		• Although the performance target was adjusted in response to an anticipated increase in the Total Unemployment Rate and the percentage of UI claimants who are not expected to be recalled to their former jobs, actual labor market conditions did not reflect these original economic assumptions.
Establish tax accounts promptly	N		• States diverted tax staff to perform UI claims activities in response to the large increase in workloads, resulting in a decrease in status determination timeliness.

Program Performance Improvement Plan
To meet all its performance goals in the future, the Department has several initiatives under way: • Continue to promote the use of the NDNH by all States to address the largest cause of UI improper payments – claiming benefits after returning to work. States that have not fully implemented Benefit Accuracy Measurement matching with NDNH will be required to submit a Corrective Action Plan in FY 2010. • Continue to facilitate the design and implementation of the Unemployment Insurance Separation Information Data Exchange System (SIDES) to address the second largest cause of overpayments – errors in handling employment separation issues. SIDES is expected to provide more timely and complete separation information. The Department will continue to work with a six-state consortium, employers, and third party administrators and is planning a phased implementation of SIDES. After the six-state consortium implements the system, the Department will assist the other state agencies with their implementation. • Sponsor a National UI Integrity Conference, scheduled for April 2010, for States to share best practices and discuss new strategies for reducing improper payments of UI benefits and the prompt identification and recovery of overpayments. • Propose legislation that would allow States to redirect some of the overpayments that are recovered into integrity activities, such as follow-up investigations of claimant matches with the NDNH. • Continue to work with other Federal agencies to allow States to recover certain Unemployment Compensation debts due to fraud from Federal income tax refunds under the Treasury Offset Program (TOP).

*Target reached (Y), improved (I), or not reached (N)



In FY 2009, the UI system costs were $78.5 billion higher than in FY 2008. Approximately $29 billion of this increase is attributable to the Emergency Unemployment Compensation program and another $6.5 billion is the cost of the temporary Federal Additional Compensation program. The rest of the increase reflects the increase in the average unemployment rate from 5.3 percent to 8.6 percent. Overall, benefit payments rose 185 percent to $120.300 billion in FY 2009 from $42.281 billion in FY 2008. Administrative costs increased by 18 percent, from $2.755 billion to $3.241 billion.

In 2010, the UI system's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Income support when work is impossible or unavailable;*
- *Helping workers who are in low-wage jobs or out of the labor market find a path into middle-class jobs; and*
- *Helping middle-class families remain in the middle-class.*

Program Assessments, Evaluations and Audits

Findings and recommendations from an Unemployment Insurance Administration State Grants program assessment in 2003 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Obtaining additional tools and resources to help States prevent fraud and reduce benefit overpayments.* As of July 1, 2009, all but four State Workforce Agencies (SWAs) were matching paid claims cases with the NDNH or their State Directory of New Hires (SDNH). Of the four States not yet matching, two States have signed data agreements with the Department of Health and Human Services, which maintains the NDNH. DOL sent letters to the other two agencies (District of Columbia and Indiana) requesting action plans to meet the NDNH matching requirements.
- *Advising, facilitating and coordinating State adjudication training designed to improve claimant eligibility determinations.* Since 2007, a total of 400 staff have completed training.
- *Supporting the development and testing of the Separation Information Data Exchange System (SIDES) to automate and standardize the collection of employee separation information from employers and third party administrators (TPA) to improve accuracy of claimant eligibility determinations.* DOL is working with

the six-State consortium and employers to develop eligibility protocols and procedures. Testing for TPAs is scheduled for FY 2010 Q1, and the system is scheduled to move into production during FY 2010 Q2.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10001102.2003.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

<table>
<tr><th colspan="2">"Enhanced Oversight Will Improve State Workforce Agencies' Use of the National Directory of New Hires (NDNH) to Prevent and Detect Unemployment Compensation (UC) Overpayments," March 2009 (OIG)</th></tr>
<tr><td colspan="2">Relevance: This audit evaluated ETA's oversight of State Workforce Agencies' (SWA) utilization of the NDNH to prevent and detect UC overpayments.</td></tr>
<tr><td>Findings and Recommendations:
• ETA could not demonstrate it exercised sufficient oversight to ensure that SWAs utilized information from the NDNH to prevent and detect UC overpayments. ETA did not mandate use of the NDNH because it expected that all States will soon be voluntarily matching.
• OIG recommended that ETA update the current Review Guide to include specific review steps addressing the States' use of NDNH for the Benefit Payment Control cross-match process; during on-site reviews, assess the filtering process for the NDNH crossmatch and validate the data reported by the SWAs; increase the frequency of on-site reviews to more than once every four years; require SWAs to submit quarterly reports that include a line item for NDNH cross-match results; and continue to pursue legislation to define Date of Hire as the first day of work for new hires and mandate its reporting by employers.</td><td>Actions:
• The update of the review guide is planned to be completed by the first quarter of CY 2010. It includes procedures for review of States' use of NDNH for BPC, assessment of the filtering process, validation of data reported for NDNH and other data matching tools.
• While ETA agrees that more frequent BPC reviews are desirable, past and current staffing levels constrain such activity.
• The ETA 227 Report, Overpayment Detection and Recovery Activities, captures data matching results from SDNH and NDNH in a single line item. SDNH results are virtually identical to NDNH matching and results are often received earlier. Nevertheless, ETA will assess the cost-benefit of modifying this report to include a separate line item to report the NDNH cross match results.
• The Department supports the inclusion of Date of Hire language in UI Integrity or other appropriate legislation.</td></tr>
<tr><td colspan="2">Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2009/06-09-002-03-315.pdf.</td></tr>
<tr><th colspan="2">"Unemployment Insurance Systems' Information Technology Contingency Plans Need Improvement," March 2009 (OIG)</th></tr>
<tr><td colspan="2">Relevance: This audit evaluated ETA's oversight of SWA partners' information technology (IT) contingency plans, which are vital for maintenance of UI services in the event of a disaster or system interruption.</td></tr>
<tr><td>Findings and Recommendations:
• OIG found that while ETA encouraged SWAs to follow best practices for IT contingency plan elements, ETA did not verify SWA plan existence nor did the SWAs provide ETA with evidentiary verification. In some cases, the SWAs did not carry out the attestations in their respective grant agreements to maintain plans.
• OIG recommended that ETA conduct annual verification and assessment of SWAs' IT contingency plans using risk-based approaches that consider the SWAs' contingency planning maturity and likelihood of disasters.</td><td>Actions:
• ETA issued Unemployment Insurance Program Letter No. 24-4, Change 3, in March 2009 to provide IT security guidance to the SWAs.
• ETA sent letters to 10 States that had incomplete IT Contingency Plans to encourage requests for supplemental funds to improve their plans. Several States applied for the funds.
• ETA made changes to its State Quality Service Plan to include guidance on the implementation of system security and contingency planning and plans issuance during FY 2009.</td></tr>
<tr><td colspan="2">Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2009/23-09-002-03-315.pdf.</td></tr>
</table>

Data Quality and Top Management Challenges

Data quality for this performance goal was rated *Very Good*.[47] Strengths of the data include timeliness and reliability, which result from the use of consistent data collection and reporting methods. Quality controls and procedures for verifying program data could be strengthened to reduce instances of overpayment and worker misclassification by assuring that definitions are uniformly applied among the States and that performance data are correctly reported. In FY 2008, ETA implemented a UI Data Validation (DV) program to verify that UI activities are reported according to prescribed definitions. States are required to submit their DV results as part of the State Quality Service Plan (SQSP) process. States that fail to submit all of their DV results must address this deficiency in the SQSP Corrective Action Plan. States can address failing DV items in a narrative (provided all required DV items have been submitted), which discusses the actions they plan to take to pass DV.

Reducing improper payments and improving the integrity and solvency of the UI program remain among the Department's top management challenges (see *Safeguarding Unemployment Insurance*, which is one of the Top Management Challenges in the Other Accompanying Information section). DOL continues to aggressively address the leading cause of overpayments – individuals who claim benefits after returning to work – by promoting use of the NDNH, which provides State agencies with information on the claimants' employment status. All States are required to cross-match paid UI claims selected for audits with the NDNH data. As of July 1, 2009, all but four State programs had implemented NDNH matching.

The weakening in the economy has severely impacted State Unemployment Trust Fund (UTF) accounts. Twenty-two states borrowed from the Federal Unemployment Account this fiscal year in order to pay unemployment benefits. Aggregate state balances, net of loans, were negative at the end of FY 2009. Several existing and proposed measures are expected to improve trust funds' solvency. All States' UI tax schedules are indexed; when trust fund balances fall below predetermined levels, payroll tax rates rise automatically to increase contributions. Ongoing efforts to prevent, detect and recover overpayments will conserve scarce funds. Finally, DOL is in the process of implementing a regulation requiring that States requesting interest-free cash-flow loans from the Federal Unemployment Account of the UTF first meet a funding goal for their own trust fund balance. This requirement will provide an incentive to States to improve solvency and will establish a DOL position on what constitutes an adequate fund balance.

[47] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

Reduce the consequences of work-related injuries.

ESA

Performance Goal 09-4B

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2004 Goal Substantially Achieved	FY 2005 Goal Substantially Achieved	FY 2006 Goal Achieved	FY 2007 Goal Substantially Achieved	FY 2008 Goal Substantially Achieved	**FY 2009 Goal Not Achieved**
Federal Employees' Compensation Act (FECA) program Average lost production days (LPD) per 100 non-Postal employees) resulting from work-related injury and illness	Target	55.4	61.0	60.0	49.0	48.5	**42.0**
	Result	61.9	56.0	52.2	46.3	41.3	**35.3****
	*	N	Y	Y	Y	Y	**Y**
	Cost	—	—	$7	$7	$7	**$8**
Average lost production days (LPD) per 100 Postal employees resulting from work-related injury and illness	Target	146	148	146	130	142	**139**
	Result	147	135	142	135	134	**146.8****
	*	N	N	Y	N	Y	**N**
	Cost	—	—	$7	$7	$7	**$8**
First-year benefit savings as a result of Periodic Roll Management (PRM) reviews ($million)	Target	$18	$17	$13	$8	$14	**$15**
	Result	$24	$23	$16	$17	$17	**$14**
	*	Y	Y	Y	Y	Y	**N**
	Cost	—	—	$20	$34	$15	**$18**
Rate of change in medical cost per case is below comparable measure of the annual rate of change in the national Milliman USA Health cost index (MHCI)	Target	≤8.8%	≤8.8%	≤8.7%	≤8.3%	≤8.5%	**≤7.6%**
	Result	+2.4%	+2.8%	+6.3%	+8.1%	+3.2%	**5.1%****
	*	Y	Y	Y	Y	Y	**Y**
	Cost	—	—	$22	$39	$25	**$33**
Targets for six communications performance areas	Target	3	3	4	4	5	**5**
	Result	4	3	4	4	5	**5**
	*	Y	Y	Y	Y	Y	**Y**
	Cost	—	—	$7	$12	$8	**$10**
Longshore and Harbor Workers' Compensation Program Days required to resolve disputed issues in contested cases	Target	273	245	250	248	baseline	**242**
	Result	247	254	235	230	239	**251**
	*	Y	N	Y	Y	—	**N**
	Cost	—	—	$6	$6	$4	**$5**
Division of Coal Mine Workers' Compensation Average number of days to render a decision on a claim	Target	—	320	315	247	220	**218**
	Result	—	323	251	224	205	**201**
	*	—	—	—	Y	Y	**Y**
	Cost	—	—	$24	$26	$17	**$19**
Percent change in Black Lung average medical treatment cost from the previous year compared to the National Health Expenditure Projection (NHEP)	Target	—	—	—	—	≤6.1%	**≤4.6%**
	Result	—	—	—	—	+10%	**4.3%**
	*	—	—	—	—	N	**Y**
	Cost	—	—	—	—	$2	**$3**
Energy Employees Occupational Illness Compensation Program (EEOIC) Average number of days to process part B initial claims	Target	—	—	—	—	226	**160**
	Result	—	—	—	238	164	**113**
	*	—	—	—	—	Y	**Y**
	Cost	—	—	—	—	$60	**$19**

Average number of days to process part E initial claims	Target	—	—	—	—	290	**195**
	Result	—	—	—	293	284	**159**
	*	—	—	—	—	Y	**Y**
	Cost	—	—	—	—	$58	**$18**
Percent of Part B and Part E final decisions processed within 180 days where there is a hearing and within 75 days where there is no hearing	Target	—	—	80%	85%	87%	**88%**
	Result	—	—	89%	88%	93%	**92%**
	*	—	—	Y	Y	Y	**Y**
	Cost	—	—	$16	$18	$18	**$11**
Goal Net Cost (millions)		—	$6,131	$2,130	$3,554	$3,693	**$4,878**

Source(s): FECA: Integrated Federal Employees' Compensation System, Federal agency payroll offices, Office of Personnel Management employment statistics, Medical Bill Payment data file, Milliman USA Cost Index Report, Definity telecommunications system standard reports, district office and national MIS reports, customer surveys, focus group records, and other customer service performance data sources. Longshore Case Management System, Black Lung Automated Support Package, and Energy Program Case Management System.

Legacy Data: Some indicators not shown for FY 2004-07. Complete indicators, targets and results for FY 2004-06 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 06-2.2C. Complete indicators, targets and results for FY 2007 are available at http://www.dol.gov/_sec/media/reports/annual2007/SG4.htm. See Performance Goal 07-4B.

Note: *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 DOL and by other Federal agencies.

Program Perspective and Logic

Through the Office of Workers' Compensation Programs (OWCP), DOL protects workers, their dependents and survivors from the economic effects of work-related injuries and illnesses by providing wage replacement and cash benefits, medical treatment, vocational rehabilitation, and other benefits through four disability compensation programs:

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

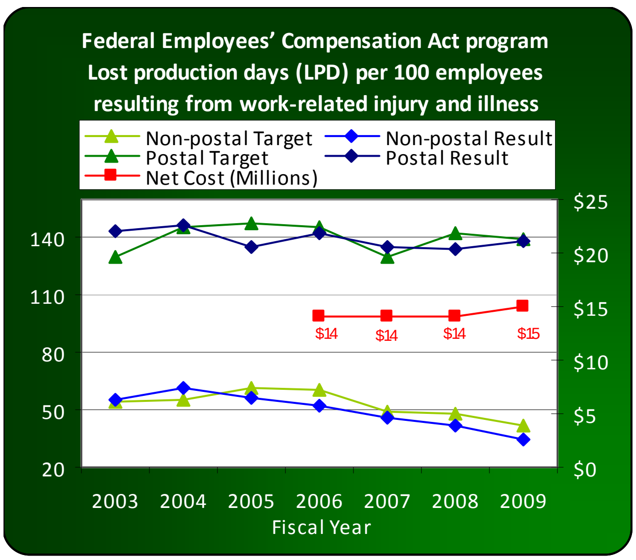
OWCP activities emphasize adjudicating claims and paying benefits accurately and in a timely manner, efficiently mediating disputed claims, assisting claimants with injury recovery and return to work, controlling costs, being responsive with informational and other assistance to customers, and assisting employers with regulatory compliance and participation in their roles as partners in program administration. OWCP examines the relationships among investments, activities and program results to allocate resources to achieve program goals.

Performance measures for this goal track the outcomes of key OWCP strategies and program priorities. Lost production day (LPD) rates capture time away from work in Federal employee injury cases. FECA uses nurse case managers and other strategies to coordinate medical care and assist with return to work to significantly reduce the LPD. Communications goals increase customer access to program information and responsiveness to customer requests for assistance. Periodic roll management generates benefit cost savings through the careful review of cases to determine if continued disability status is warranted and to determine the reemployment potential of those currently receiving compensation payments. The FECA and Black Lung programs measure themselves against nationwide indices to gauge their effectiveness in containing medical benefit costs. The Black Lung program measures average time to render claims decisions and its efficiency in producing quality decisions. By reducing the average processing time for disputed claims, the Longshore program contributes to its chief outcome of resolving claims appropriately and equitably at minimum cost to all parties. Effective dispute resolution works to reduce extended hearings and appeals processes by raising the quality of communications, medical evidence, mediation services, and clarity of decisions. The Energy program measures processing efficiency and service delivery time using two measures that track average days to process initial claims and the share of final decisions produced timely. Target levels take into consideration the differing complexities of Energy cases in terms of toxic exposures and reported illness.

Several external factors challenge OWCP performance. The number, types and skill requirements of jobs available to persons with injury-related limitations or disabilities are driven by employment and business technology trends. For example, the modernization of U.S. Postal Service (USPS) operations has resulted in the elimination of many traditional jobs and an overall reduction in employment levels at that agency. Shrinking numbers of available jobs in the Nation's current economy also makes reemployment of injured workers much more difficult. The trend in the nature of new injury cases and the type of assistance they require reflect an aging workforce. For example, while musculoskeletal injuries still predominate, back injuries that used to be the most common, are now accompanied by knee, hip and shoulder problems. The cost of medical care continues to rise with better and earlier diagnostic medical technology, medicines and treatment procedures. The nation's expanded use of private contractor resources to support the wars in Iraq and Afghanistan has increased the number of deaths and injuries compensable under the Defense Base Act (DBA) and the War Hazards Compensation Act, both of which are administered by OWCP. New technologies and higher customer expectations continue to challenge OWCP to provide greater information more quickly. The EEOIC program structure mandates that certain cancer claims be transferred to the Department of Health and Human Services' National Institute for Occupational Safety (NIOSH) for a dose reconstruction to determine the probability that cancer was caused by radiation or toxic exposure. Length of processing times in these cases impacts EEOIC's overall program performance.

Analysis and Future Plans

DOL did not achieve this performance goal in FY 2009. However, eight of 11 targets were reached.



Shortening the duration in which injured workers remain out of work due to their injuries is a major indicator of the FECA program results. LPD is a ratio of days of work lost due to injury or illness per 100 workers. FECA's LPD target for Non-Postal agencies was reached as FECA continued to reduce lost production days for cases receiving Quality Case Management assistance for injury recovery and return to work. Also, safety improvements by Federal agencies under the Safety, Health and Return-to-Employment (SHARE) initiative have continued and fewer new injury cases were filed in FY 2009. The U.S. Postal Service LPD target was not reached in FY 2009. The Postal Service experienced both an increase in lost production days overall and a decline in employment, due to the automation of many job functions and economic cut-backs at that agency, that greatly increased their LPD rate.

Measured in financial terms, FECA outcomes reflect the efficiency and quality of benefit payment activities and the impact of case management and benefit services. FECA did not reach the Periodic Roll Management (PRM) savings target. Just over one-third of the over 3,700 cases reviewed in FY 2009 produced cost savings of $14 million (vs. a target of $15 million). FECA effectively manages medical costs through centralized bill processing, strengthened reviews of treatment authorization requests, fee schedules, and stronger automated edits and other controls. In FY 2009, the indexed rate of change in FECA average medical treatment costs indicator reached its target; it rose by 5.1 percent compared to the rate of increase in national health care costs of 7.6 percent reported by the Milliman USA Health Cost Index. Comparing the FECA medical cost growth rates to the nationwide rates since FY 2000 equates to (conservatively) a cost reduction of over $28 million annually.

Reorganized telephone claims handling and customer service operations focus on increasing customer access to information sources, improving responsiveness to callers, and raising the level of call handling quality and information accuracy. Since FY 2003, results have included more than doubling of customers obtaining information from, or submitting documentation through, OWCP automated systems. Average caller wait times have been reduced by almost two-thirds; turnaround time to caller inquiries has been reduced to less than one day; effectiveness resolving caller inquiries at the time of call has improved by 41 percent; and 98 percent of calls meet program standards of quality.

In FY 2009, the average time to resolve disputed issues in Longshore claims was 251 days, representing a nine-day increase over the 2009 target. Defense Base Act (DBA) injury and death cases in connection with the wars in Iraq and Afghanistan have increased from 347 cases in FY 2002 to 12,255 cases in FY 2009. In addition to the impact of expanding case volumes on resources, DBA claims present unique challenges and require more time and claims expertise to process than general Longshore claims. Claims development and documentation are more complicated and time-consuming, processing is more labor-intensive, response times from overseas are extended, medical issues are more complex, and disputes are more difficult to resolve, especially for complex claims such as Post Traumatic Stress Disorder. OWCP will continue conducting outreach and working closely with parties to contested cases to reach timely resolutions.

The Black Lung Program achieved its target for its average claims processing indicator. Overall average claims processing time was reduced from 205 days in FY 2008 to 201 days in FY 2009. The Black Lung Program will continue to evaluate the target for this indicator to ensure that it is realistic in relation to performance results.

A year ago, there wasn't a line at all. Ten a.m. was considered early. But once word spread that the Division of Energy Employees Occupational Illness Compensation (DEEOIC) was sponsoring monthly Traveling Resource Centers (TRCs) in Shiprock, New Mexico, and Kayenta, Arizona, to assist the Navajo claimant community, the line began forming at 7 a.m. One by one, members of the Navajo Nation sign in and exchange greetings with one another, saying, "Yah-tah-hey," the Navajo word for hello. Each individual is there to see somebody who cares, such as Paula, a technical assistant with DEEOIC in Denver. Paula travels from Denver to Shiprock and Kayenta each month to provide support to Navajo claimants seeking benefits under the Energy Employees Occupational Illness Compensation Program Act (EEOICPA). Many former uranium workers live in remote or rural areas such as the Navajo and other reservations located across the western states. DEEOIC is determined to provide in-person assistance to individuals regardless of where they live. The goal of each TRC is to explain how the EEOICPA program works, to encourage those potentially eligible to file claims, and to provide status updates to those individuals who have already filed claims. "I feel so fortunate to have the opportunity to provide this help and support – we're making a difference," said Paula about the monthly TRCs. Photo Credit: DOL/ESA

The Energy Program continues to provide timely claims adjudication and benefit delivery. In FY 2009, the Energy program reached its performance targets for average days under Part B with a result of 113 days against a target of 160 days; average days under Part E with a result of 159 days against a target of 195 days; and final decisions with a result of 92 percent against a target of 88 percent.

Indicator	*	What worked	What didn't work
FECA LPD – non-postal	Y	• FECA's ongoing Quality Case Management strategy of providing nurses to assist claimants with recovery and return to work contributed to reductions in LPD rates. Average time lost time in the first year for QCM cases declined to 140 days – a 28 percent reduction over the past decade.	• Recent studies of the FECA program noted that improvements were needed in communication and coordination between FECA and the employing agencies, to achieve even earlier returns to work.
FECA LPD – postal	N	• Total new Postal Service injury cases declined by 10 percent from FY 2008, consistent with declining employment levels at that agency.	• USPS continues to review limited duty positions for elimination. Fewer positions are available to USPS to transition and reemploy their injured workers. FECA's Quality Case Management is challenged by these circumstances as well as by reduced employment opportunities in the current national economy making finding new jobs for injured Postal workers even harder
FECA – PRM first year savings	N	• PRM case reviews increased by 20 percent overall due to greater attention in several district offices to change the ways staff and workloads were assigned and to adopt new case review approaches.	• Despite an increase in cases reviewed, cases yielding savings dropped by 19 percent, indicating that the disability status of those remaining in the PRM universe remain constant and fewer are determined to have return-to-work potential.
FECA medical cost containment	Y	• Bill review and medical bill processing system cost controls kept the FECA rate of change below the national average.	• Increased medical care costs continue to challenge most benefit payers, and the FECA program will continue to seek controls for specific cost areas. FECA must also address the reluctance of many physicians to treat injured federal workers.
FECA communications	Y	• Specialized customer service staff in DFEC district offices combined with an emphasis on meeting communications standards contributed to reaching targets.	• Automatic notification of injury and other claims documentation from employing agencies is currently limited to those agencies compatible with FECA's Electronic Data Interchange technology.
Longshore dispute resolution	N	• Longshore reduced call up times to the carriers, causing them to move files quickly, which increased district office resolution timeliness.	• The number of cases requiring formal hearings represented a large share of disputed cases. On average, these add at least 200 days to the overall process.
Black Lung processing	Y	• The program substantially achieved the target for the indicator and will adjust out-year targets accordingly.	• This indicator has timeliness measures for four sub-categories of claims disposition. The sub-category for Responsible Operator Merit claims constitutes 58 percent of all decisions. In FY 2009 the target for this sub-category was increased by 10 days to encourage granting time extensions so that operators and insurers could develop and submit evidence when requested. The FY 2009 results were 10 percent below the target

			indicating that the program overestimated the amount of time necessary. The program will adjust the target accordingly.
Black Lung medical cost	Y	• As a result of the program's review of its medical cost experience and to control costs, the program has adopted OWCP's standards for setting prescription prices.	• Due to the unique medical service requirements of the Black Lung beneficiary population, their medical costs continue to be subject to large annual variances outside the program's control.
Energy Part B initial claims	Y	• Revising this indicator to a measure of average days refocused claims processing on reaching timely claims decisions. Substantial attention was devoted to resolving all claims that were pending as of the beginning of the year, allowing the program to reach steady state processing timeliness.	
Energy Part E initial claims	Y	• Measuring average days instead of percentage of claims within a timeframe focuses claims examiners on making the most timely possible decision for each claim. Substantial attention was devoted to resolving all claims that were pending as of the beginning of the year, allowing the program to reach steady state processing timeliness for the first time since the inception of Part E.	
Energy final decisions (B&E)	Y	• Increases in the final decisions completion target in FY 2009 were due to the Final Adjudication Branch's (FAB) efforts to adjudicate and clean-up late caseloads in the beginning of the fiscal year. In addition, FAB managers increased meetings with staff members, provided staff with additional training and tools to track their performance, and hired additional staff with the emphasis on processing cases more timely.	

Program Performance Improvement Plan
• FECA is renewing its emphasis on return to work with a new goal to increase the proportion of injured workers reemployed by Federal agencies and by seeking new strategies that will assist agencies to improve results. • FECA seeks to increase the speed of claims receipt for wage-loss compensation from agency employers to improve the overall time of payment delivery and maintain uninterrupted income for claimants. • FECA will convert claims receipt to a Web-based application to expand the number of employing agencies capable of transmitting claims and other documents electronically. • Longshore's dispute resolution goal is best achieved through mediation and prompt, accurate communication. To that end, the program will use more aggressive interventions in disputes, closer and timelier follow up, educational initiatives with attorney/employers/insurers, and better marketing of mediation services. The affected claims community includes attorneys, employers, and insurance carriers. • Comparison of Black Lung cost changes to the Department of Health and Human Services' broader National Health Expenditure Projection has not proven to be a proper indicator. Black Lung experiences significant variations in annual costs that are unique to the program, such as disproportionate end-of-life medical expenditures experienced by the Black Lung population. Also, the relatively small number of miners receiving medical benefits means that a very few cases with extraordinary costs in a given year can create large fluctuations in average costs. The goal to effectively manage costs remains a Black Lung priority. While the program will drop the comparison to the NHEP as an indicator, it will continue to pursue additional cost controls and strategies for improving medical cost management

*Target reached (Y), improved (I), or not reached (N)

Net performance costs for OWCP increased by 32 percent between FY 2008 and FY 2009. This increase is almost entirely attributable to financing transactions associated with OWCP benefit accounts. In FY 2009, a one-time loss transaction of $2.495 billion to repay the Black Lung Disability Trust Fund debt was implemented by the Department of Treasury as authorized by the Emergency Economic Stabilization Act of 2008. OWCP benefit payments and administrative funding expenses declined in FY 2009.

In 2010, OWCP's activities will contribute to the following outcome goals in support of the Department's Strategic Vision of *Good Jobs for Everyone*:

- *Securing safe and healthy workplaces, particularly in high-risk industries;*
- *Facilitating return to work for workers experiencing workplace injuries or illnesses who are able to work and sufficient income and medical care for those who are unable to work;*
- *Income support when work is impossible or unavailable; and*
- *Helping middle-class families remain in the middle-class.*

In FY 2010, return to work will be supported with a new performance goal to increase the percentage of injured Federal workers reemployed by Federal agencies and through continued reduction of LPD rates. Claims processing and benefit delivery measures will continue to ensure that income support and medical care is provided timely and assist in the maintenance of the economic position of injured workers. New measures in the Longshore Program will focus on reducing the time between cessation of wages and beginning of compensation to injured workers. Technology enhancements will expand automation of information exchanges, increase access to and the transparency of program information, and improve responsiveness in communications services.

Program Assessments, Evaluations and Audits

Findings and recommendations from a Federal Employees Compensation Act program assessment completed in 2008 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Work with Congress to update the benefit structure, adopt best practices from State workers' compensation systems, and convert benefits for retirement-age individuals to a typical retirement level.* The Department continues to refine its FECA legislative reform proposal.
- *Implement recommendations from an independent evaluation to improve significant components of FECA processes, including industry best practices.* Improvements being made to the Continuation-of-Pay (COP) Nurse program include an electronic means to receive reports from employing agencies when an injured employee has returned to work, a Web portal through which to receive reports from nurses in the field, and a standardized case evaluation guide for nurses.
- *Conducting preliminary work, including the development of a logic model, which will serve as a basis for a future impact evaluation of FECA's disability management activities and program effectiveness.* This work was completed in August 2009 as part of an evaluation of FECA disability management processes.
- *Assess the recently implemented electronic case management system to determine long-term program benefits.* FECA continues to assess the capabilities of the new automated data processing system to address performance gaps, support business process changes, provide improved program assessment capability, and provide improved information and assistance to Federal employer partners. Examples include consolidation of the case creation activity, increased automation of the receipt of claims, upgrade of the interactive voice response system, and improvements supporting video conferencing and telework.
- *Implement recommendations from an independent evaluation to improve significant components of FECA processes*. Improvements underway include: speeding notices from employing agencies when an injured worker has returned to work, easing transmission of case status reports from Continuation of Pay (COP) nurses, and standardizing case evaluation guidelines for COP nurses.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10000334.2008.html.

An assessment of the Longshore and Harbor Workers' Compensation Program in 2005 led to another improvement plan. Here is a summary of progress in FY 2009:

- *Engaging program stakeholders to examine ways to improve and update the Longshore and Harbor Workers' Compensation Act through legislative changes.* The Program is currently in the process of developing a regulation to address the issuance of Defense Base Act waivers. A standard for granting new waivers as well as clarification on existing waivers is needed. Additionally, language in the American Recovery and Reinvestment Act of 2009 amends the Longshore Act to exclude workers who repair recreational vessels or dismantle them for repair, regardless of the length of the vessel on which they work. Longshore is working on a regulation to address the lack of a definition for recreational vessel, ensuring employees don't move in and out of coverage, and addressing employees who are excluded from State workers' compensation coverage.

- *Evaluating proposed alternatives for modifying the automated claims system for tracking the benefit delivery services of employers and carriers and to allow comparisons with similar programs*. Longshore is developing and implementing an electronic database of authorized insurers. Currently the Longshore program collects and files handwritten 3x5 cards.
- *Developing new performance measures to track and measure benefit facilitation to improve Longshore insurance carriers' and self-insured employers' timeliness in filing initial claims and initiating payments.* Baselines for two new benefit facilitation performance measures were established during FY 2009. The first measure is to reduce the average number of days between the date of injury and OWCP's receipt of the Employer's First Report of Injury (Form LS-202). The second measure is to reduce the average number of days between the date of onset of disability and the date of first payment of compensation.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10003904.2005.html.

The Black Lung Benefits Program was assessed in 2003. Progress in FY 2009 on the resulting improvement plan is summarized as follows:

- *Establishing performance goals for the Office of Administrative Law Judges (ALJ), Benefits Review Board (BRB), and Solicitor that are ambitious and contribute to efficient adjudication of Black Lung claims.* The Department's BRB and Solicitor have established performance measures and targets. In 2008, the Department successfully worked with ALJ to establish measures and targets for Black Lung claims.
- *Increasing Responsible Operator and Insurer participation in evidentiary development of Black Lung claims at the District Office level.* The Program continues to perform outreach to the operator/insurer community emphasizing the importance of developing and submitting their evidence at the district director level to avoid awards based on partial evidence which may be overturned. The Program analyzed claim data and individual files to determine the effectiveness of early development and to identify operators that submitted such evidence. The Program continues to encourage the district offices to grant extensions of time to operators and insurers to develop and submit evidence when requested. The response from the operator/insurer community has been favorable.
- *Reviewing medical cost containment objectives and the construction of the indicator used to measure results, including the appropriateness of measuring against independent industry benchmarks*. The program has adopted OWCP standards for prescription drug pricing and dispensing fees and will adopt geographically-adjusted pricing for other medical services when a new Central Bill Processing contract begins. There are a number of other interim measures that the Program is considering and, in some cases, adopting.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10001098.2003.html.

The Energy Employees Occupational Illness Compensation Program assessment in 2007 resulted in an improvement plan for which FY 2009 progress is summarized below:

- *Working with the National Institute for Occupational Safety and Health (NIOSH) to establish compatible timeliness measures that are consistent with program goals, and reporting performance against those goals.* The Department and NIOSH collaborated to establish NIOSH timeliness performance measures. Reporting against goals will be ongoing.
- *Obtaining an independent, comprehensive evaluation of the program.* Based on the management study conducted in FY 2008, the Energy program enhanced program operations; including outreach, training of claims examiners, technology, workload, claims processing, and organization and management structure.

- *Improving coordination with State workers' compensation systems to prevent duplicate payments.* Cross-matching procedures were developed with the State of Ohio. This information will be used to help EEOIC coordinate Part E benefits with State workers' compensation benefits to eliminate duplication of payments.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10009004.2007.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

"Dual Tracking of DFEC Quality Case Management Nurse and Vocational Rehabilitation Processes," August 2009 (SRA International, Inc.)

Relevance: The study was pursued to assist the design improvements for FECA Quality Case Management and Vocational Rehabilitation and to strengthen their integration.

Findings and Recommendations:	***Actions:***
• Incorporate Early Intervention and Team Claim Handling into the FECA program. • Make communications with team members and stakeholders more efficient and effective. • Expand the use of return to work tools earlier and more broadly. • Improve the performance of information systems that support case management • Organize and track information differently to better evaluate program results.	• Review study recommendations for implementation; consider feasibility, priority and impact potential. • Assess resource requirements for implementing recommendations. • Construct an implementation plan.

Additional Information: Copies available from the Division of Federal Employees' Compensation, U.S. Department of Labor, Room S-3229, 200 Constitution Ave., N.W., Washington, D.C. 20210.

"Special Report Relating to the Federal Employees' Compensation Act Special Benefit Fund," October 2008 (OIG)

Relevance: The OIG contracted with an independent certified public accounting firm to prepare the report on the Fund as of and for the year ended September 30, 2008.

Findings and Recommendations:	***Actions:***
• Management should establish written policies and procedures to provide supervisors with detailed guidance on the proper schedule review to mitigate the risks of misstatements.	• Current written procedures were updated in December 2008 to include, among other things, specific guidance for staff and supervisors on the preparation and review of quarterly and year-end FECA schedules.

Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2009/22-09-001-04-431.pdf.

"Energy Employees Occupational Illness Compensation Program – DOL Could Do More to Assist Claimants and Further Improve Timeliness," November 2008 (OIG)

Relevance: OIG conducted an evaluation to: (a) determine if DOL issued claim decisions that complied with applicable law and regulation and (b) assess whether DOL ensures that claims are adjudicated as promptly as possible and that claimants are kept informed. OIG also wanted to assess the validity of allegations from a former claims examiner that claims examiners had been directed to inappropriately deny claims.

Findings and Recommendations:	***Actions:***
• Establish improved interagency agreements with all Federal partner agencies that specify expectations and the details of work to be performed. • Establish an overall performance measure for the timeliness of processing claims from point of application to final decision and payment, as well as delineating more milestones and goals for the initial processing phase. • Expand Resource Centers' responsibilities to include helping claimants obtain evidence to support claims and better educate the claimant on requirements for eligibility.	• DOL worked with the Department of Energy and NIOSH to develop interagency agreements by September 30, 2009. • DOL provided the revised initial processing goals on March 27, 2009. • DOL provided the OIG with copies of informational materials distributed to the Resource Centers, instructing them on the use of ECMS to provide better service to claimants on March 27, 2009.

Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2009/04-09-002-04-437.pdf.

"Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements and Independent Auditors' Report," February 2009 (OIG)

Relevance: The OIG audited the financial statements of the Longshore and Harbor Workers' Compensation Act Special Fund as of September 30, 2008, and for the year then ended.

Findings and Recommendations:	***Actions:***
• OIG concluded that the Fund's financial statements as of and for the years ended September 30, 2008 and 2007, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. • The OIG noted no matters involving the internal control and its operation that is considered to be a material weakness as defined in this report. • The results of the tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported.	• No recommendations made.

Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2009/22-09-004-04-432.pdf.

"District of Columbia Workmen's Compensation Act Special Fund Financial Statements and Independent Auditors' Report," February 2009 (OIG)

Relevance: The OIG audited the financial statements of the District of Columbia Workmen's Compensation Act Special Fund as of September 30, 2008, and for the year then ended.

Findings and Recommendations:	***Actions:***
• OIG concluded that the Fund's financial statements as of and for the years ended September 30, 2008 and 2007, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. • The OIG noted no matters involving the internal control and its operation that is considered to be a material weakness as defined in this report. • The results of the tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance or other matters that must be reported.	• No recommendations made.

Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2009/22-09-005-04-432.pdf.

"Human Capital – Actions Needed to Better Track and Provide Timely and Accurate Compensation and Medical Benefits to Deployed Federal Civilians," June 2009 (GAO)

Relevance: GAO compared agency policies and identified issues in policy or implementation regarding (1) compensation, (2) medical benefits, and (3) identification and tracking of deployed civilians.

Findings and Recommendations:	***Actions:***
• Revise the application materials for Federal Employees' Compensation Act claims to make clear what documentation applicants must submit with their claims. • Set a clear timeline for issuing implementing guidance concerning the death gratuity granted by section 1105 of the National Defense Authorization Act for Fiscal Year 2008, Public Law Number 110-181.	• DOL committed to reviewing the instructions that accompany the CA-1 form, Federal Employees' Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation, to determine whether to include further guidance on what medical information should be submitted to support a claim. • Regarding the timeframe for issuing guidance concerning the death gratuity, the FECA Death Gratuity Interim Final Rule was published on August 18, 2009.

Additional Information: The report is available at http://www.gao.gov/new.items/d09562.pdf.

"OWCP's Jacksonville and New York District Offices Need to Improve Monitoring of Re-employment Status of Claimants," September 2009 (OIG)

Relevance: OIG conducted the audit to determine if OWCP provided adequate oversight of claimants whose re-employment status had not yet been determined.

Findings and Recommendations:	***Next Steps:***
• Create a specialized workgroup to (a) identify cases in the re-employment-status-not-yet-determined category that need immediate case management; (b) determine the intervention(s) that may be needed for those identified cases; and (c) execute actions, as needed, to reduce	• DOL committed to developing a report that tracks the frequency at which PR cases are reviewed, so claims examiners can be alerted and prompted to take the next necessary action. In cases where no action has taken place within a specified period of time, a reminder in

compensation payments and/or remove claimants from this periodic roll category. • Implement a requirement that claims examiners use the integrated Federal Employees' Compensation System (iFECS) Reminder Feature to alert them when to (a) consider or reconsider referring claimants to a second opinion specialist, (b) follow up on referrals to nurse or vocational rehabilitation services, (c) follow up on pending medical reports, and (d) mail 10-month letters.	iFECS will be sent to the claims examiner, prompting them to take action. These reminders will also be available through an on-line query tool. These actions will be completed by March 1, 2010. • Regarding the recommendation pertaining to the 10-month letter, DOL is developing a specific reminder that will prompt the claims examiner to issue the letter at the appropriate juncture in the case. This feature will also be available March 1, 2010.
Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2009/04-09-004-04-431.pdf.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Excellent*,[48] reflecting OWCP's long history of managing workers' compensation case record data and benefit payment histories. Performance measurement, also a long-standing priority for OWCP, relies primarily upon data extracted from internal automated case management and benefit payment systems. Technology upgrades to OWCP automated data systems have made possible more efficient reporting processes and improved statistical report design and content. Enhanced systems also enable OWCP to better test performance data, make quality improvements and increase accuracy. Outside sources, including other Federal agencies, the nationally known research institute, Milliman USA, and the Centers for Medicare and Medicaid Services within the Department of Health and Human Services, also provide performance data.

OWCP maintains strict oversight of data entry into its internal systems, with regular on-site review by local managers and formal periodic reviews that check the quality of the claims data record. Other quality tools include extensive checks and edits built into automated data processing system programming, second-tier certifications of claims and payment decisions, telephone call monitoring, and regular performance reviews by district management. Multiple OWCP analytical staff collaborate in the report production, data collection and results measurement processes. Performance results are reviewed frequently, in formal sessions, by OWCP management, which emphasizes a culture of performance accountability.

In the Office of the Inspector General's (OIG) recent report, concerns were raised with respect to the timeliness and length of DEEOIC's adjudication process and compliance with laws and regulations established in the EEOICPA. The OIG found the process to still be quite lengthy, with some claims taking up to two years to process. However, the OIG stated that DEEOIC has made major progress in shortening adjudication timeframes and has complied with applicable laws and regulations in making final decisions to accept or deny claims. DEEOIC is still faced with the challenge of the length of time it takes NIOSH to complete a dose reconstruction, but does not have any regulatory authority to control the NIOSH dose reconstruction process.

The OIG also reported the challenge to the FECA program of determining continuing eligibility to benefits and ensuring proper payments while being responsive to claimants. Departmental progress has included system changes that improve tracking of due dates for periodic medical evaluations, assist revalidation of eligibility for continued benefits, use data mining to prevent and identify improper payments, and improved services to customers. The OIG supports the Department's efforts to seek legislative reforms to the FECA program which would enhance incentives for employees who have recovered to return to work, address retirement equity issues, discourage unsubstantiated or otherwise unnecessary claims, allow for easy access to Social Security Administration wage records to ensure proper FECA payments, and make other benefit and administrative improvements.

[48] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

ESA

Ensure union financial integrity, democracy, and transparency.

Performance Goal 09-4C (ESA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2008 Goal Not Achieved	**FY 2009 Goal Not Achieved**
Union receipts audited per staff day	Target	—	**$92,500**
	Result	$82,067	**$77,271**
	*	—	**N**
	Cost	—	—
Percent of audits resulting in a criminal investigation	Target	baseline	**12.0%**
	Result	11.5%	**12.1%****
	*	—	**Y**
	Cost	$29	**$30**
Percent of unions filing reports electronically	Target	baseline	**20.5%**
	Result	20%	**20.9%**
	*	—	**Y**
	Cost	$11	**$11**
Number of days to resolve union officer election complaints	Target	baseline	**88**
	Result	92	**70**
	*	—	**Y**
	Cost	$14	**$12**
Goal Net Cost (millions)		$58	**$55**

Source(s): OLMS union compliance audit information and e.LORS data system.

Legacy Data: None of the indicators shown were applied to goal achievement determination in FY 2008. Results for those three indicators are available at http://www.dol.gov/_sec/media/reports/annual2008/SG4.htm. See Performance Goal 08-4C.

Note: *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.

Program Perspective and Logic

The Office of Labor-Management Standards (OLMS) administers the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA), as amended, and related laws. These laws primarily establish safeguards for union democracy and union financial integrity and require public disclosure reporting by unions, union officers, union employees, employers, labor consultants and surety companies, and impose criminal sanctions for embezzlement of union funds and other crimes. To implement the LMRDA protections, OLMS conducts criminal and civil investigations and union audits, offers compliance assistance, and administers the reporting and public disclosure program.

Financial transparency underpins the achievement of democracy and financial integrity objectives. Labor unions, union officers, union employees, employers, labor consultants and others covered by the LMRDA and related laws are required to file financial and activity reports with OLMS. OLMS operates an electronic reporting system for LMRDA reports and an Internet public disclosure system that provides public access to information from filed reports. To increase transparency and improve the accuracy of financial reports, OLMS aims to increase the rate of reports filed electronically. In 2008, baseline results showed that 20.5 percent of the annual financial reports filed by unions (Form LM-2, LM-3, and LM-4) were submitted electronically. OLMS reached this target by increasing the

To equip union officers across nation with clear and consistent information on the Labor-Management Reporting and Disclosure Act (LMRDA), OLMS provides seminars through a nationwide educational program. Topics include recordkeeping, reporting, and union officer elections; and each District Office invites all unions in its jurisdiction. Photo Credit: DOL/ESA

percent of electronically field union reports to 20.9 percent. OLMS is redesigning its electronic filing system to address barriers to filing with the aim of increasing the number of reports filed electronically.

Effective auditing is central to OLMS' ability to determine compliance with the LMRDA. By using more effective methods to select unions for audit, OLMS can make more effective use of resources needed to achieve compliance with the law and discover instances of criminal violations, principally union funds embezzlement. In FY 2009, OLMS reached its target to increase the percent of union audits that result in the opening of a criminal case to 12.1 percent compared to the baseline of 11.5 percent.

In support of union democracy, OLMS introduced a new performance measure in 2009 that tracks the average number of days elapsed for union election cases' resolution. An internal study of election cases indicated that the average election case required 92 days to resolve; about 50 percent longer than the deadline required by the LMRDA. To reduce this timeframe, OLMS targets sources of delay, such as waivers requesting extensions beyond the deadline. OLMS reached its target for FY 2009 by reducing days required to resolve unions complaints to 70 days compared with the FY 2009 baseline of 92 days.

Approximately 25 percent of OLMS resources support the agency's Internet public disclosure system and a wide range of compliance assistance, liaison, enforcement, and regulatory activities to increase union transparency and LMRDA reporting compliance. OLMS dedicates more than 50 percent of its annual resources to support a program of audits and criminal investigations to protect the millions of dollars in dues paid by labor union members. OLMS dedicates about 20 percent of its annual budget to investigating union member complaints of election misconduct and supervising union officer election reruns to assure compliance with LMRDA union democracy provisions.

Recovery Act

OLMS received additional funding of $391,000 in FY 2009 and $190,000 in FY 2010 as a result of the Recovery Act to conduct certification of labor protections for public transit grants. Specifically, the Recovery Act allocates $8.4 billion to the Federal Transit Administration (FTA) for assistance to States and municipalities for capital expenditures on public transit investment. These funds have a "use-it-or-lose-it" condition placed on them to ensure that all apportioned funds are used promptly. OLMS must certify that fair and equitable labor protective provisions are in place to protect the interests of employees affected by the Recovery Act grants. The FTA cannot award funds without prior DOL certification. The processing of these certifications is the same as under established procedures for non-Recovery Act grants. OLMS expects an additional 800 to 1,000 grants and is using the funds to handle the workload.

To ensure that grants under the Recovery Act are issued in a timely and prompt manner, OLMS has established two performance measures. First, OLMS has established a goal that 100 percent of all Recovery Act grants will be certified within the 60-day time limit established by OLMS under its case processing guidelines. Additionally, OLMS has established a goal that the average elapsed time for processing of applications will be under 45 days. OLMS met both goals for FY 2009. The Agency achieved an average processing time of 13.7 days per certification, while certifying 100 percent of grants received within the 60-day target. As a result, no Recovery Act funds were forfeited or reallocated for failure to meet the deadline under the "use-it-or-lose-it" condition. OLMS credits the achievement of both these goals to a successful outreach program that alerted parties to the availability of these grants and provided guidance in meeting grant requirements. For more information, see http://www.recovery.gov/?q=content/program-plan&program_id=7549.

Analysis and Future Plans

OLMS did not achieve its FY 2009 performance goal. However, FY 2009 targets were reached for each of the three measures established to advance the core performance goal to ensure union financial integrity, democracy, and transparency. Additionally, OLMS made strides in establishing procedures for increasing program effectiveness. OLMS initiated work on new electronic filing programs that will address barriers which formerly hindered the online filing rate of smaller unions. In addition, OLMS regional managers began sharing best practices for targeting audits. A statistical study of Labor-Management (LM) reporting data is providing useful insights on how OLMS can use LM data to better target audits.

Indicator	*	What worked	What didn't work
Audit efficiency	N	• Management efforts to closely track and reduce the number of staff days devoted to compliance audits.	• Complex cases, which represent a growing portion of OLMS audits, require longer staff time to resolve.
Audit targeting	Y	• Solicitation and sharing of best targeting practices through nationwide forums.	• A statistical study has thus far not been useful in correlating LM reporting data with fraud findings. As a result, OLMS still lacks an empirically-based linkage between financial report data and methods to improve targeting.
Electronic reporting	Y	• Discontinued mailing paper LM-3 forms to encourage online filing. • Sent postcard advisories to LM-3 filers reminding them of report due dates and the electronic filing option. • Clarified instructions for downloading forms on the OLMS Web pages.	• OLMS has identified the electronic signature process as a principal deterrent to electronic filing. OLMS is streamlining the electronic signature process.
Complaint resolution	Y	• Reduced number and duration of waivers requesting additional days. • Improved coordination with SOL.	• Several barriers continue to impede timely complaint resolution. OLMS is working with other agencies to ameliorate these barriers.
Program Performance Improvement Plan			
• Upon implementation of the goal to reduce elapsed time for election complaints, OLMS identified a series of activities and measures that assist in achieving this goal. OLMS implemented a number of these measures, each of which will contribute to achieving the goal and in the future. OLMS will continue to work, both internally and with other agencies, to identify additional sources of delays in the election complaint system. These additional measures will contribute to OLMS' overall success in reducing processing time for election complaints. • In support of its targeted enforcement strategy, OLMS is working with the Eastern Research Group to determine whether LM report data correlates with the existence of fraud indicators. The Agency will also continue to share targeting best practices among District Offices. • Redesigning its electronic submission process for the LM forms. The new system will streamline e-filing by eliminating the electronic signature and enabling the use of a Web browser for data entry. Once implemented, the new submission procedures are expected to increase the percentage of unions filing electronically.			

*Target reached (Y), improved (I), or not reached (N)

Net costs of OLMS activities decreased three percent from FY 2008-2009 due to a similar decrease in appropriations.

In 2010, OLMS' activities will contribute to the outcome goal *voice in the workplace* in support of the Department's Strategic Vision of *Good Jobs for Everyone.* OLMS plans to increase public disclosure concerning employer/consultant agreements by increasing the number of Form LM-20 reports filed by consultants.

Program Assessments, Evaluations and Audits

Findings and recommendations from an Office of Labor-Management Standards program assessment completed in 2005 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Developing and implementing specific performance indicators to measure agency progress towards ensuring union democracy.* Prior to 2009, OLMS measured compliance with LMRDA election standards. In 2008 OLMS developed a timeliness measure and a baseline for this measure that does not rely on a random sample of audited unions for data and replaced the democracy measure in 2009. This measure relies on data produced internally that is timelier, not subject to sampling error, and more closely ties program outputs to outcomes and Agency goals.
- *Conducting an external review of program processes to identify areas for improvement.* In 2007, OLMS underwent an evaluation of its reporting and disclosure program. In 2008, a subsequent cost-benefit analysis recommended ways to improve the electronic filing process for unions, which are currently under review. In 2009, OLMS is undergoing an independent program evaluation focusing strictly on improving the efficiency of its manual filing process, which remains the predominant filing method for Labor-Management forms. Recommendations will also focus on ways to improve the quality of the forms published online. This evaluation was completed in September 2009.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10003903.2005.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

"Business Process Analysis of OLMS Manual Reports Filing and Disclosure Process," September 2009 (Mathematica Policy Research, Inc.)	
Relevance: This evaluation provided recommendations to improve the efficiency of public disclosure reports processes in OLMS, and included cost-effective strategies for the transition to all-electronic storage of forms. Recommendations focused on measures of efficiency and quality assurance to capture the benefits of proposed process improvements.	
Findings and Recommendations: • Mathematica identified certain inefficiencies in report processing, and made recommendations for improving process documentation, identified potential areas for cost savings, and suggested internal measures for quality assurance.	***Actions:*** • OLMS is reviewing the recommendations and expects to implement process improvements, as feasible, during FY 2010.
Additional Information: Copies available from the Office of Labor-Management Standards, U.S. Department of Labor, FOIA Coordinator, Room N-5609, 200 Constitution Ave., N.W., Washington, D.C. 20210.	

Data Quality and Top Management Challenges

Data quality for this performance goal was rated Very *Good*.[49] OLMS uses its Case Data System to track investigations and performance. The electronic reporting and disclosure database provides quick access to accurate and timely union financial data. In 2009, OLMS implemented three new performance measures, each of which relies on data from either the Case Data System or the Electronic Labor Organization Reporting System. Both are mature, robust systems, and the data retrieved from these systems allows the OLMS to track long-term trends and identify areas in which program operations can be improved. OLMS will continue to promote the use of electronic filing by unions, which will improve the data accuracy of financial reports, by implementing a new, Internet-based filing system. This new system will facilitate electronic filing and help ameliorate identified barriers to electronic filing. The data used for performance measurement is available in databases routinely used for agency management, therefore, no additional resources are required to maintain and update the data set.

[49] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

Enhance pension and health benefit security.

Performance Goal 09-4D (EBSA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2007 Goal Achieved	FY 2008 Goal Achieved	**FY 2009 Goal Achieved**
Ratio of criminal cases accepted for prosecution to cases referred	Target	48%	50%	**52%**
	Result	67%	74%	**79%**
	*	Y	Y	**Y**
	Cost	$103	$102	**$117**
Ratio of closed civil cases with corrected fiduciary violations to civil closed cases	Target	61%	64%	**67%**
	Result	69%	70%	**72%**
	*	Y	Y	**Y**
Applications to Voluntary Compliance programs	Target	13,838	21,000	**21,500**
	Result	20,123	28,261	**28,182**
	*	Y	Y	**Y**
	Cost	—	—	—
Goal Net Cost (millions)		$176	$170	**$165**

Source(s): Enforcement Management System and Delinquent Filer Voluntary Compliance Tracking System.

Note: *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 DOL and by other Federal agencies. The cost listed for the first indicator also includes the costs associated with the civil ratio measures. Costs are not allocated to the indicator level for the civil and criminal ratio measures because these programs are not separable into individual costs.

Program Perspective and Logic

The Employee Benefits Security Administration (EBSA) is responsible for ensuring compliance with the Employee Retirement Income Security Act (ERISA). EBSA's activities are essential to maintaining the public's trust and confidence in the employee benefits system. DOL demonstrates its success in identifying and pursuing wrongdoers through successful civil and criminal case closure and acceptance rates. By providing outreach and education and directly assisting plan participants, beneficiaries, employers and plan officials to understand their rights and responsibilities under the law, DOL helps protect workers' and retirees' benefits.

EBSA oversees benefit security for an estimated 695,000 private retirement plans, 2.5 million health plans, and similar numbers of other welfare benefit plans, such as those providing life or disability insurance. Benefit plans under EBSA's jurisdiction cover approximately 150 million participants and beneficiaries.

EBSA contacted a Dallas, Texas, group health plan on behalf of a participant who had unpaid medical claims. The participant had recently been terminated but had properly extended his group health benefits under COBRA. The plan sponsor contended that the COBRA premium payments had not been made and that notwithstanding, were also being denied on the basis of a pre-existing condition. EBSA assisted the participant in demonstrating that payments had been made, and in evaluating the pre-existing condition assertion of the plan sponsor. As a result of EBSA's efforts, the plan reversed its decision and paid the participant's medical claims totaling $140,000.

Recovery Act

The Recovery Act contains Consolidated Omnibus Budget Reconciliation Act (COBRA) premium assistance provisions that expand COBRA eligibility and provide eligible individuals with a 65 percent reduction of their COBRA premiums for up to nine months. If eligible, these individuals pay only 35 percent of their COBRA premiums to the plan; the remaining 65 percent is paid by the government to the employer through a payroll tax credit.

In 2009, EBSA developed and implemented a program that provides for expedited review and determination when an individual has been denied COBRA Premium Assistance. In addition, EBSA issued model notices, forms, and disclosure notices and launched an aggressive outreach and education program. In FY 2009, EBSA received almost 10,000 applications for expedited review and overturned the employer's decision to deny COBRA Premium Assistance in nearly 6,500 cases. EBSA followed a detailed hiring plan to ensure appropriate staffing levels for the program and processed approximately 96 percent of expedited reviews in 14 days or less. For the duration of the law, EBSA will continue to complete expedited reviews in a timely manner and implement its outreach and education programs.

Analysis and Future Plans

EBSA achieved its performance goal. The agency reached its performance target for the ratio of closed civil cases with corrected fiduciary violations to closed civil cases. With respect to criminal case work, EBSA reached its target to report cases accepted for prosecution. Last year, EBSA began implementing a regulation that provided a safe harbor for assessing the timeliness of forwarding participant contributions to 401(k) plans with less than 100 participants. The regulation defines the period under which participant contributions to a small plan will be deemed to be made in compliance with the law. EBSA cautioned that the regulation could substantially impact both the civil and criminal enforcement programs because approximately one-third of the investigations conducted by EBSA focus on this issue. In EBSA's preliminary analysis, the regulation did not materially reduce EBSA's overall enforcement ratios in FY 2009. EBSA will continue to monitor the impact of the regulation subsequent to FY 2009 results and adjust performance targets, as necessary.

National Enforcement Initiatives Each Indicator is the Ratio of Closed Cases with Corrected Fiduciary Violations to total closed cases		
Employee Contribution Project	Target	83%
	Result	85%
Employee Stock-Ownership Plans	Target	64%
	Result	53%
Multiple Employer Welfare Arrangements	Target	61%
	Result	55%
Rapid ERISA Action Team	Target	54%
	Result	71%
Consultant/Advisor Project (CAP)	Target	Baseline
	Result	50%

The table lists component indicators of the broader civil ratio. These performance measures may change from year to year as the agency satisfies its commitments and priorities change. The Consultant Advisor Project (CAP) ratio, which includes a small number of carefully targeted cases and focuses on the receipt of improper, undisclosed compensation by pension consultants and other investment advisers, is a relatively new program with extremely complex and time consuming cases. EBSA has not closed enough cases to develop a baseline. EBSA exceeded its targets for the Employee Contribution, and Rapid ERISA Action Team projects. Multiple Employer Welfare Arrangements fell just short of the target; EBSA continues to assess the data. The Employee Stock Ownership Plan target remains elusive because these cases are difficult to bring to closure due to the complexity of the underlying financial transactions. EBSA is reviewing its strategies to maintain its performance and to improve, where appropriate.

EBSA reached its voluntary compliance target in FY 2009. This measure demonstrates achievements in programs such as the Voluntary Fiduciary Correction Program and the Delinquent Filer Voluntary Compliance Program.

This year, Benefits Advisors provided superior participant assistance by responding to 99 percent of all written inquiries within 30 days of receipt and responding to over 99 percent of telephone inquiries by the close of the next business day. In FY 2009, DOL obtained monetary results of approximately $1.3 billion. Monetary results are a product of EBSA's investigative, compliance and participant assistance activities.

Indicator	*	What worked	What didn't work
Criminal prosecution ratio	Y	• EBSA effectively targeted cases that are likely to be accepted for prosecution.	• Legal issues prevented EBSA from posting the names of individuals and entities against whom DOL obtained a health fraud or MEWA-related injunction on the DOL public website.
Civil correction ratio	Y	• EBSA effectively targeted cases that are likely to produce fiduciary results.	• Despite targeting efforts, Employee Stock Ownership Plan cases remain difficult to close due to the complexity of the underlying financial transactions.
Voluntary compliance applications	Y	• EBSA improved compliance with ERISA without the expense of additional investigations.	• As demonstrated by the fact that over 90 percent of all VFCP applications relate to delinquent employee contribution issues, the nature of the violations corrected through the program are not as wide-ranging as possible.

*Target reached (Y), improved (I), or not reached (N)

Net costs of EBSA activities decreased three percent from FY 2008-2009 due to changes in administrative expenses.

In 2010, EBSA's activities will contribute to the outcome goal *Improving health benefits and retirement security for all workers* in support of the Department's Strategic Vision of *Good Jobs for Everyone.*

Program Assessments, Evaluations and Audits

Findings and recommendations from an Employee Benefits Security Administration assessment completed in 2004 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Implementing program improvements based on the independent evaluations completed or currently underway.* EBSA is conducting a Health Disclosure and Claims Issues (HDCI) evaluation under which a statistically valid sample of over 1,700 group health plans are investigated over a two-year period to determine compliance with the health care laws in Part 7 of ERISA. EBSA is completing the investigative portion of the study and beginning the interpretation of data and quality control portions of the study. EBSA will use the findings to refine its compliance assistance and enforcement strategies.
- *Developing ways to quantify and reduce the burden imposed by EBSA's regulations.* ICF International completed an analysis that determined EBSA is publishing regulations in which benefits outweigh costs. The final report was submitted to EBSA on January 2, 2009. EBSA conducted in-house training sessions relating to economic analysis of regulatory initiatives and intends to make further training opportunities available to staff. Further, EBSA is hiring additional staff to conduct regulatory analysis.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10000338.2004.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

"EBSA Could More Effectively Evaluate Enforcement Project Results," March 2009 (OIG)	
Relevance: The OIG conducted a performance audit of EBSA's processes for evaluating its civil enforcement results. The audit examined whether EBSA is effectively evaluating its civil enforcement project results and directing its resources to enforcement issues that have a significant impact on American workers' health, pension and other employee benefits.	
Findings and Recommendations: • Clearly define the objective of each of its civil enforcement projects. • Establish a performance measure(s) that evaluate(s) each civil enforcement project's outcomes versus the stated objective. • Develop guidance for allocating enforcement resources based on intended enforcement outcomes and actual performance results.	***Actions:*** • EBSA expanded its public description of the national enforcement projects to include a specific objective of "finding and correcting violations of ERISA." EBSA did not agree with the other two recommendations. • In anticipation of the Department's updated strategic plan to be published in September 2010, EBSA will develop measures that support the Secretary's vision of good jobs for everyone.
Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2009/05-09-003-12-001.pdf.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Excellent*.[50] EBSA's Enforcement Management System (EMS) provides the data for the enforcement ratios. EBSA's quality assurance processes require that individuals not directly involved with the investigation at hand approve all case openings. Cases with monetary results receive several levels of scrutiny, including national office oversight and review. Additionally, EBSA uses a peer review method to conduct quality assurance of randomly selected closed cases. The Voluntary Fiduciary Correction Program data are maintained in the EMS and the Delinquent Filer Voluntary Compliance Program tracking system.

The Inspector General listed *Implementing the American Recovery and Reinvestment Act of 2009* and *Ensuring the Security of Employee Benefit Plan Assets* as major challenges for EBSA (see the Top Management Challenges in the Other Accompanying Information section). The OIG cites administering the COBRA provisions of the Recovery Act, benefit plan audits, corrupt multiple employer welfare arrangements and civil enforcement project results as areas of concern. Because these risks go to the heart of EBSA's goal to secure pension and health plans, the agency is taking specific actions to address these concerns, including developing and implementing a program that provides for expedited review and determination regarding an individual's denial of the COBRA premium assistance; strengthening benefit plan audits through increased oversight of accounting firms; meeting ambitious targets for civil and criminal cases; expanding the public description of national enforcement projects; and vigorously pursuing fraudulent multiple employer welfare arrangements.

[50] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, is available in the Introduction to the Performance Section.

Improve the pension insurance program.

Performance Goal 09-4E (PBGC)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2004 Goal Not Achieved	FY 2005 Goal Not Achieved	FY 2006 Goal Not Achieved	FY 2007 Goal Sub-stantially Achieved	FY 2008 Goal Not Achieved	**FY 2009 Goal Not Achieved**
Customer Satisfaction score for premium filers	Target	71	72	74	68	69	**70**
	Result	69	68	68	70	72	**72**
	*	N	N	N	Y	Y	**Y**
Customer Satisfaction score for trusteed plan participant callers	Target	77	78	80	80	80	**80**
	Result	78	79	75	78	81	**82**
	*	Y	Y	N	I	Y	**Y**
Customer Satisfaction score for retirees receiving benefits from the PBGC	Target	—	84	84	85	85	**85**
	Result	—	85	85	88	89	**88**
	*	—	Y	Y	Y	Y	**Y**
Average Time to Issue Benefit Determinations (years)	Target	—	—	—	—	3.0	**3.0**
	Result	—	—	—	3.0	3.3	**3.8**
	*	—	—	—	—	N	**N**

Source(s): American Customer Satisfaction Index and Corporate Performance Reporting System.

Legacy Data: Some indicators not shown for FY 2007. Results for the three indicators that were dropped are available at http://www.dol.gov/_sec/media/reports/annual2007/SG4.htm. See Performance Goal 07-4E.

Note: Costs are not provided because the PBGC is not included in the Consolidated Statement of Net Costs. However, in accordance with the requirements of the Government Performance and Results Act (GPRA), the PBGC's performance reporting is included in this report because its performance goals are included in the Department's performance budget.

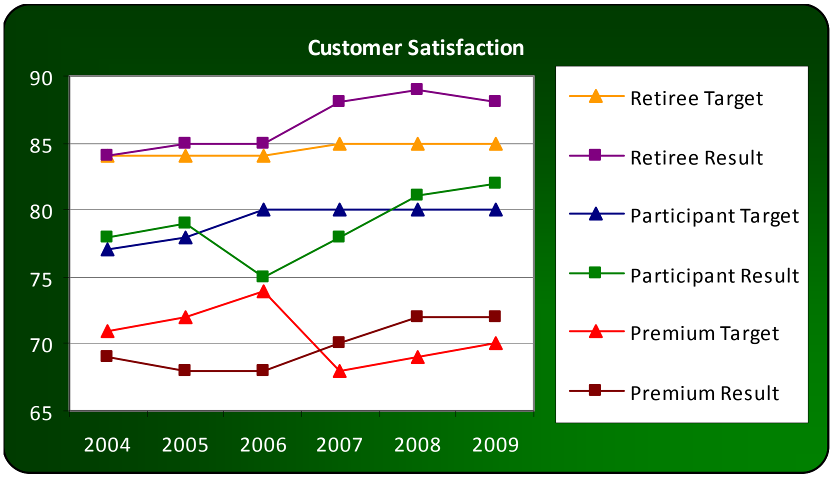
Program Perspective and Logic

The Pension Benefit Guaranty Corporation (PBGC) operates in accordance with policies established by its Board of Directors, which is comprised of the Secretaries of Labor (Chairman), Commerce and Treasury. PBGC protects the retirement incomes of 44 million American workers in over 29,000 defined benefit pension plans, which provide specified monthly benefits at retirement, often based on salary and years of service. The Corporation safeguards the pension insurance program and provides service to its customers, while exercising stewardship over its resources. It is responsible for the current and future pensions of about 1.3 million people, including those who have not yet retired and participants in multiemployer pension plans receiving financial assistance. At the end of FY 2009, PBGC was paying benefits to about 665,000 retirees and beneficiaries in terminated underfunded plans; another 635,000 participants in these plans will become eligible to start receiving benefits in the future.

PBGC receives no funds from general tax revenues. Operations are financed by insurance premiums set by Congress and paid by sponsors of defined benefit plans, investment income, assets from pension plans trusteed by PBGC, and recoveries from the plans' former corporate sponsors. However, the PBGC's premium structure does not adequately reflect the risks posed by individual plans. While the Deficit Reduction Act and the Pension Protection Act, both enacted in 2006, made significant structural changes to the defined benefit system, they did not fully address the Corporation's long-term challenges. Although current assets are sufficient to meet liabilities for a number of years, the PBGC does not have the resources to fully satisfy its long-term obligations to plan participants. Further reforms are needed to address a growing gap between assets and liabilities (estimated at $33.5 billion as of March 31, 2009).

PBGC uses the American Customer Satisfaction Index (ACSI) survey methodology to monitor its progress in meeting the needs and expectations of its customers – primarily participants and premium filers. Using ACSI survey results, PBGC evaluates the effectiveness of its services to customers and makes targeted improvements. Another key measure of PBGC mission effectiveness is the time required to provide participants with a final determination of their benefits. To address the shortage of resources needed to satisfy long-term plan obligations, this year PBGC provided an analysis of options for improving the pension insurance program's financial condition.

Analysis and Future Plans



Although PBGC did not achieve all its goals in 2009, the Corporation's continued focus on customer service yielded positive results. PBGC reached all of its customer satisfaction targets as demonstrated in the chart. The result for the premium filer customer satisfaction indicator was 72, maintaining 2008's record high for this measure. Retirees scored PBGC's service at 88, surpassing the target of 85. The ACSI score for participant callers to the Customer Contact Center was 82 this year, up one point from 2008. PBGC provides readily accessible service to customers online using My Pension Benefit Account (MyPBA) for participants and My Plan Administration Account (MyPAA) for pension plan administrators through PBGC.gov as part of its customer service outreach.

As of September 2009, the average time to issue benefit determinations had increased to 3.8 years from 3.3 years in 2008. Performance has been impacted by several large plans requiring more complex benefit calculations.

Indicator	*	What worked	What didn't work
Premium filer satisfaction	Y	• PBGC responded proactively to legislative challenges to the filing dates by providing automated email filing reminders and by expanding phone and email coverage around major filing dates to filers.	• To improve communication with its customers, PBGC will assess and identify ways to better serve customers through the Internet and expand online services.
Participant caller satisfaction	Y	• PBGC enhanced its quality assurance program, which has resulted in improvements to customer care and revisions to a number of PBGC's standard letters.	
Retiree satisfaction	Y		
Benefit determination timeliness	N	• PBGC focused on completing benefit determinations in its oldest plans to reduce its aging inventory.	• To better measure benefits determination timeliness, PBGC will focus on the completion of entire plans rather than on individual benefit determinations. • PBGC will track tasks associated with the processing of large, complex plans. • PBGC will explore options to minimize the impact of overpayments.
Program Performance Improvement Plan			
PBGC actively promotes continuous improvement initiatives across all program areas: • Expand online customer services, • Explore more cost effective ways to improve customer communication,			

• Increase streamlining in benefit and premium processing areas and enhance the premium payment system, • More efficiently manage its resources to meet its incoming workloads and strengthen performance accountability, • Make technology improvements to replace outdated and overloaded infrastructure, • Renew the Corporation's focus on succession management, leadership development, recruitment, and retention. • Develop greater flexibility to fund unexpected workloads and address funding concerns.

*Target reached (Y), improved (I), or not reached (N)

In 2010, PBGC's activities will contribute to the outcome goal *improving health benefits and retirement security for all workers* in support of the Department's Strategic Vision of *Good Jobs for Everyone.*

Program Assessments, Evaluations and Audits

Findings and recommendations from a Pension Benefits Guaranty Corporation assessment completed in 2007 prompted specific actions to improve performance. Here is a summary of progress in FY 2009:

- *Refining and maturing the new certification and accreditation process for deployment of major systems and General Support System using relevant information technology (IT) guidelines.* While PBGC made some progress in strengthening the design and implementation of its entity-wide information security management program in 2008, additional reviews in 2009 identified significant deficiencies in the controls. PBGC will focus on strengthening its controls and monitoring accountabilities to ensure the certification and accreditation process is compliant with Federal Information Systems Management Act (FISMA) and National Institute of Standards and Technology (NIST) requirements.
- *Educating the public on the issues facing the private defined benefit pension system and working with Congress on legislative reforms to enable the PBGC to meet its long-term obligations to retirees*. PBGC completed an analysis of options to improve the financial condition of its single-employer insurance program.

More information is available at http://www.whitehouse.gov/omb/expectmore/summary/10002382.2007.html.

Independent evaluations and audits completed in FY 2009 are summarized below.

"High Risk Series: An Update," January 2009 (GAO)	
Relevance: In 2003, PBGC's single-employer program was added to the GAO high risk list. With a net accumulated deficit of $11.5 billion at the end of September 2008, the program remains on the list. (Note: The deficit tripled to $33.5 billion in March 31, 2009.) In addition, GAO added the multiemployer program to the high-risk list in 2009.	
Findings and Recommendations: • The pension insurance programs that PBGC administers need urgent attention and transformation to ensure the mission set forth in ERISA is carried out effectively and efficiently.	***Actions:*** • Support Congress in closely monitoring the financial health of PBGC programs and defined benefit plans and in taking additional steps to safeguard the programs.
Additional Information: The full report (GAO-09-271) is available at http://www.gao.gov/new.items/d09271.pdf.	
"Pension Benefit Guaranty Corporation: Financial Challenges Highlight Need for Improved Governance and Management," May 2009 (GAO)	
Relevance: Testimony before the Special Committee on Aging regarding PBGC's financial, governance, and management challenges.	
Findings and Recommendations: • Mounting financial challenges exacerbated by the economic downturn as well as governance and management challenges require stronger governance and a more strategic approach to acquisition and human capital management.	***Actions:*** • Workload planning is ongoing to meet challenges during the economic downturn. • PBGC is working with its Board to ensure there is sufficient communication to enable the Board to formulate appropriate policy and PBGC to receive guidance. • Congress proposed legislation to strengthen governance.
Additional Information: The full report (GAO-09-702T) is available at http://www.gao.gov/highlights/d09702thigh.pdf.	

"Former Director's Involvement in Contracting for Investment Services Blurs Roles and Raises Fairness Issues,," May 2009 (PBGC Office of Inspector General)

Relevance: Audit of the Pension Benefit Guaranty Corporation's (PBGC) implementation of its new investment policy.

Findings and Recommendations:

- Serious allegations about a former PBGC director's involvement in the procurement process used to select the investment managers responsible for executing aspects of the new policy. The PBGC Board should require the:
  - current Acting Director to cancel the contracts; and
  - future Directors to ensure appropriate separation of duties, to include refraining from service on technical evaluation panels and other de facto procurement activities.

Actions:

- Contracts were cancelled.
- The Board agrees with the recommendation to ensure separation of duties and issued a resolution to address the issue, which PBGC has now incorporated into its procedures.

Additional Information: The full report (AUD-2009-5/PA-08-63-1) is available at http://oig.pbgc.gov/audit/2009/pdf/PA-08-63-1.pdf.

"Evaluation of the PBGC'S Activities With Respect to its Securities Lending Program," July 2009 (PBGC Office of Inspector General)

Relevance: As part of its overall investment program, the PBGC engages in securities lending. The report evaluates PBGC's policies and procedures governing the securities lending program.

Findings and Recommendations:

- The findings addressed the absence of written policies and guidance for the securities lending program. There are 16 recommendations to improve the program, including documenting policies and procedures.

Actions:

- PBGC proposed corrective actions and reached agreement with the OIG for all the report recommendations.

Additional Information: The full report (EVAL-09-06/FA-08-51) is available at http://oig.pbgc.gov/audit/2009/pdf/FA-08-51.pdf.

"Pension Benefit Guaranty Corporation: More Strategic Approach Needed for Processing Complex Plans Prone to Delays and Overpayments," August 2009 (GAO)

Relevance: PBGC may be required to assume responsibility for a growing number of underfunded pension plans due to the economic downturn.

Findings and Recommendations:

- Processing benefit determinations in a small number of complex plans and plans with missing data takes longer. PBGC should develop a better strategy for processing benefits in complex plans, improve communications with participants and make the appeals process more accessible.

Actions:

- By September 30, 2010, PBGC will implement steps for tracking and monitoring tasks associated with processing large complex plans; explore options to minimize the impact of overpayments; revise guidelines for benefit statements; and look for ways to better communicate the complexities of PBGC benefits to participants.

Additional Information: The full report (GAO-09-716) is available at http://www.gao.gov/new.items/d09716.pdf.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[51] PBGC actively monitors customer satisfaction through the American Customer Survey Index (ACSI). This methodology, adopted in 2001, delivers high quality data and provides a uniformed system of customer service measurement, which supports key performance goals in the budget. Through its Corporate Performance Reporting System (CPRS), an automated data mart and analytic tool implemented in 2006, PBGC monitors performance measures related to plan termination and benefit processing. Each month, process owners perform accuracy checks of CPRS performance data and corrections are made, if necessary.

[51] Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

PBGC's Inspector General designated five areas as top management challenges: governance, stewardship, PBGC's business model, information technology, and procurement and contracting in its Semi-Annual Report to Congress.[52] To address the governance issues, the Board of Directors amended PBGC by-laws in 2008 to streamline processes and clarify the roles and responsibilities of the Board, Board Representatives and PBGC Director. However, further changes were recommended by the Government Accountability Office in its testimony before the Special Committee on Aging in 2009. PBGC developed a comprehensive approach to information and infrastructure security and is strengthening controls where deficiencies were found. Corrective actions are underway or planned to strengthen processes in the remaining areas of PBGC's purview.

[52] Source: Semi-Annual Report to Congress, October 1, 2008 – March 31, 2009. For more information, please see the full report at http://oig.pbgc.gov/reports/semi/pdf/SARC40.pdf.

Financial Section

Message from the Chief Financial Officer

I am pleased to report that the Department received an unqualified opinion from the independent auditors on its consolidated financial statements for the thirteenth consecutive year. The Department complied with the Federal Financial Management Improvement Act, and no material weaknesses have been reported. These are tremendous accomplishments in light of the many challenges, new mandates, and transitions we experienced in FY 2009.

The American Recovery and Reinvestment Act of 2009 provided billions of dollars for programs to foster American workers' efforts to find jobs, develop new skills in the workforce, and support an economic recovery. These funds continue to be tracked and reported to the public every week to promote transparency and accountability. Monitoring the appropriate use of these funds, and ensuring their clear delineation from regular operating funds, has been a core focus of the Department's financial management operations this fiscal year.

We also continued to prepare for the launch of our new core financial management system, which will occur in FY 2010. We are training the entire Department's financial management staff on how to use the new system and significantly reengineering our business processes to ensure greater efficiencies, more useful and current data for program managers and decision makers, stronger internal controls, and better reporting to our stakeholders.

We continue to improve our capabilities through employee training to enhance skill sets, hiring new staff to meet core needs, and developing greater institutional knowledge to ensure our culture of strong financial management remains firmly entrenched well into the future. To that end, we held a very successful training conference for all Departmental financial personnel during FY 2009. At the same time, we continue to provide financial management support for the new Departmental goals promoted by Secretary Solis and her team.

We received the Certificate of Excellence in Accountability Reporting from the Association of Government Accountants for the ninth year in a row. This certificate recognizes the Department's excellence in linking budget and performance information in its FY 2008 Performance and Accountability Report.

We made progress to resolve three outstanding significant deficiencies reported in the FY 2008 Performance and Accountability Report.

- Management continues to address recommendations related to controls over access to key financial and support systems; however, specific and compensating controls already in place are sufficiently designed and effective to prevent unauthorized access to the financial systems. Nonetheless, we will continue to monitor and evaluate the risks associated with access control weaknesses and take appropriate corrective actions during FY 2010.

- We will conduct periodic tests of reconciliation reports to examine timeliness and level of reviews, data integrity, and resolution of discrepancies to address weaknesses noted over payroll accounting regarding the reconciliation of DOL's data submission to the U.S. Department of Agriculture's National Finance Center. OCFO began successfully testing reconciliation reports in the fourth quarter of FY 2009, and we expect to close this finding in FY 2010.

- We issued manual procedures for posting journal entries into the Department's legacy accounting system to improve internal controls regarding segregation of duties. With the implementation of the new core financial management system, the posting and approval of journal entries will be electronically segregated and will not take effect until electronically approved by the designated supervisory personnel.

I would like to take this opportunity to thank the financial management professionals throughout the Department for their dedication and hard work throughout the past year. Their efforts ensure that we deliver the most accurate, transparent, and useful financial information possible.

Lisa D. Fiely

Lisa D. Fiely
Acting Chief Financial Officer
November 16, 2009

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Secretary and Inspector General
U.S. Department of Labor:

We have audited the accompanying consolidated balance sheets of the U.S. Department of Labor (DOL) as of September 30, 2009 and 2008; the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended; and the statements of social insurance as of September 30, 2009, 2008, 2007, and 2006 (hereinafter referred to as "consolidated financial statements"). The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2009 audit, we also considered DOL's internal control over financial reporting and tested DOL's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements.

We have also examined DOL's compliance with section 803a of the *Federal Financial Management Improvement Act of 1996* (FFMIA) as of September 30, 2009.

SUMMARY

As stated in our opinion on the consolidated financial statements, we concluded that DOL's consolidated financial statements present fairly, in all material respects, the financial position of DOL as of September 30, 2009 and 2008; its net costs, changes in net position, and budgetary resources for the years then ended; and the financial condition of its social insurance program as of September 30, 2009, 2008, 2007, and 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion on the consolidated financial statements, the statements of social insurance present the actuarial present value of DOL's future expenditures to be paid to or on behalf of participants, estimated future income to be received from excise taxes, and estimated expenditures for administrative costs during a projection period ending in 2040.

Also as discussed in our opinion on the consolidated financial statements, in fiscal year 2009, DOL adopted new accounting and reporting requirements for fiduciary activities and changed the presentation of its statements of social insurance.

Our consideration of internal control over financial reporting resulted in identifying certain deficiencies that we consider to be significant deficiencies, as follows:

1. Lack of Adequate Controls over Access to Key Financial and Support Systems
2. Weakness Noted over Payroll Accounting
3. Lack of Segregation of Duties over Journal Entries
4. Lack of Sufficient Controls over Financial Statement Preparation

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance and one other matter that are required to be reported herein under *Government Auditing Standards* and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

As stated in our opinion on DOL's compliance with FFMIA, we concluded that DOL complied, in all material respects, with the requirements of FFMIA as of September 30, 2009.

The following sections discuss our opinion on DOL's consolidated financial statements; our consideration of DOL's internal control over financial reporting; our tests of DOL's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the U.S. Department of Labor as of September 30, 2009 and 2008; the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended; and the statements of social insurance as of September 30, 2009, 2008, 2007, and 2006. The accompanying statement of social insurance as of September 30, 2005 was not audited by us and, accordingly, we do not express an opinion on it.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Labor as of September 30, 2009 and 2008; its net costs, changes in net position, and budgetary resources for the years then ended; and the financial condition of its social insurance program as of September 30, 2009, 2008, 2007, and 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1-W to the consolidated financial statements, the statements of social insurance present the actuarial present value of DOL's future expenditures to be paid to or on behalf of participants, estimated future income to be received from excise taxes, and estimated expenditures for administrative costs during a projection period ending in 2040. In preparing the statements of social insurance, management considers and selects assumptions and data that it believes provide a reasonable basis for the assertions in the statements. However, because of the large number of factors that affect the statement of social insurance and the fact that future events and circumstances can not be known with certainty, there will be differences between the estimates in the statement of social insurance and the actual results, and those differences may be material.

Also as discussed in Note 1-B to the consolidated financial statements, DOL changed its method of reporting fiduciary activities to adopt the provisions of the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) No. 31, *Accounting for Fiduciary Activities*, effective October 1, 2008.

Also as discussed in Note 1-W to the consolidated financial statements, in fiscal year 2009, DOL changed the presentation of its statements of social insurance to remove estimated interest payments from the statements. DOL revised its fiscal years 2005 through 2008 consolidated financial statements to conform to this fiscal year 2009 presentation.

The information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Secretary's Message, Performance Section, and Other Accompanying Information are presented for purposes of additional analysis and are not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

In our fiscal year 2009 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and that are described in Exhibit I.

We noted certain additional matters that we will report to management of DOL in a separate letter.

COMPLIANCE AND OTHER MATTERS

The results of our tests of compliance described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

Other Matters. DOL is currently reviewing one incident regarding a potential violation of the *Anti-deficiency Act.* As of the date of this report, no final noncompliance determination has been made.

We noted certain additional matters that we will report to management of DOL in a separate letter.

OPINION ON COMPLIANCE WITH FFMIA

DOL represented that, in accordance with the provisions and requirements of FFMIA, the Secretary of Labor determined that the DOL's financial management systems are in substantial compliance with FFMIA.

We have examined the U.S. Department of Labor's compliance with section 803a of the *Federal Financial Management Improvement Act of 1996* as of September 30, 2009. Under section 803a of FFMIA, the U.S. Department of Labor's financial management systems are required to substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States

Government Standard General Ledger at the transaction level. We used OMB's *Revised Implementation Guidance for the Federal Financial Management Improvement Act*, dated January 4, 2001, to determine compliance.

In our opinion, the U.S. Department of Labor complied, in all material respects, with the aforementioned requirements as of September 30, 2009.

RESPONSIBILITIES

Management's Responsibilities. Management is responsible for the consolidated financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, contracts, and grant agreements applicable to DOL.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2009 and 2008 consolidated financial statements of DOL based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, as amended. Those standards and OMB Bulletin No. 07-04, as amended, require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DOL's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2009 audit, we considered DOL's internal control over financial reporting by obtaining an understanding of DOL's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We did not test all controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of DOL's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of DOL's internal control over financial reporting.

As part of obtaining reasonable assurance about whether DOL's fiscal year 2009 consolidated financial statements are free of material misstatement, we performed tests of DOL's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, as amended. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to DOL. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

Our responsibility also included expressing an opinion on DOL's compliance with FFMIA section 803a requirements as of September 30, 2009, based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence about DOL's compliance with the requirements of FFMIA section 803a 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.

DOL's response to the findings identified in our audit is presented in Exhibit I. We did not audit DOL's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of DOL's management, DOL's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 15, 2009

1. Lack of Adequate Controls over Access to Key Financial and Support Systems

In fiscal years (FY) 2006 through 2008, we reported a significant deficiency relating to the lack of adequate controls over access to key financial and support systems.

We recommended that management:

- Identify key financial information technology (IT) controls and incorporate them into the U.S. Department of Labor's (DOL) internal control and Office of Management and Budget (OMB) Circular No. A-123 testing process, to ensure that these controls are documented and operating effectively during the year.

- Coordinate efforts among the DOL agencies to develop and/or enforce procedures and controls to address access control weaknesses in current financial management systems.

During the FY 2008 audit, we noted that while DOL identified and tested key IT controls as part of its OMB Circular No. A-123 testing process, certain parts of the testing were performed concurrently with our IT testing and were not completed in time for us to assess the adequacy of the process. During our FY 2009 audit, we noted that DOL continued to identify and test key IT controls as part of its OMB Circular No. A-123 testing process, including follow-up on certain prior year IT findings and testing of the design and operating effectiveness of certain key current year controls during the year. Additionally, DOL provided the OMB Circular No. A-123 testing results timely throughout the year.

In response to the second recommendation, we noted that the Office of the Chief Information Officer (OCIO) updated Volume 1, *Access Controls*, of the DOL Computer Security Handbook in December 2008 and in May 2009. The updates to this volume required agencies to be compliant with the latest standards set forth by the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, *Recommended Security Controls for Federal Systems*.

However, we noted that 25 prior year findings related to access controls have not been corrected (4 in the Office of the Chief Financial Officer (OCFO), 9 in the Employment and Training Administration (ETA), 3 in the Office of the Assistant Secretary for Administration and Management (OASAM), and 9 in the Employment Standards Administration (ESA)). Additionally, we noted two prior year findings that were not corrected until the third and fourth quarters of FY 2009 (1 in ETA and 1 ESA). In FY 2009, we identified access control weaknesses that resulted in 11 new findings (1 in OCFO, 7 in ETA, 1 in OASAM, and 2 in ESA). Additionally, we issued one new finding that was subsequently corrected in the third quarter of FY 2009 (in ESA). The specific nature of these weaknesses, their causes, and the systems impacted by them has been communicated separately to management.

In summary, we noted issues with account management, configuration management, and review of system audit logs in our FY 2009 testing of DOL's IT systems. While these issues are less severe than a material weakness, we determined that they are important enough to merit attention by those charged with governance. As such, we believe that these new weaknesses and the uncorrected prior year control weaknesses represent a significant deficiency over access to key financial and support systems. Specifically, the following control weaknesses were present in one or more financial systems across various DOL agencies.

- Account Management
    - Account management controls were not performed, such as incomplete or missing access request, modification, and termination forms;
    - User accounts are not timely removed for separated users;

  - Periodic user account reviews or re-certifications were not performed;
  - Generic accounts existed on a system without a proper business justification for approximately half of the fiscal year;
  - Access authorization, modification, termination, recertification, and periodic reviews of data center access were not consistent with policies; and
  - Certain terminated personnel had active system accounts, and in some cases, terminated employees accessed systems after their termination date.

- Configuration Management

  - Technical security standards and policies need to be updated and implemented to include stronger logical access security controls. Specifically, patches were not applied to systems in a timely manner; unnecessary services were not disabled; and access to sensitive files, directories, or software was not restricted;
  - Production servers were not configured in accordance with baseline configurations or to the most appropriate settings;
  - Password settings do not comply with the DOL Computer Security Handbook;
  - Inactive accounts were not disabled or deleted in a timely manner; and
  - Certain human resources personnel had access to create and approve personnel action requests on their own.

- Review of System Audit Logs

  - Audit logs monitoring user and administrator activity, changes to security profiles, remote access logs, access to sensitive directories, and failed login attempts are not reviewed, or documentation of audit log reviews was not maintained;
  - Audit log review procedures were not documented and finalized;
  - Audit logs were not secured against editing by system administrators; and
  - Application-level audit logs (e.g., significant transactions and changes to sensitive tables) were not proactively reviewed.

These findings are a result of issues in the implementation and monitoring of Departmental procedures and controls. While the DOL agencies closed 17 prior year access control findings, they have not invested the necessary level of effort and resources to ensure that policies and procedures are designed and operating effectively. These access control weaknesses could result in users with inappropriate access to financial systems; inefficient processes; lack of completeness, accuracy, or integrity of financial data; and/or undetected unusual activity within financial systems.

Based on these facts noted as part of our FY 2009 audit, we consider the recommendation related to testing key financial IT controls as part of the OMB Circular No. A-123 testing process **closed.** However, we consider the recommendation related to coordinating efforts among the DOL agencies to develop and/or enforce procedures and controls to address access control weaknesses in current financial management systems **unresolved.** To close this recommendation, the Chief Information Officer should (a) coordinate efforts among the DOL agencies to develop procedures and controls to address access control weaknesses in current financial management systems, (b) monitor the agencies' progress to ensure that procedures and controls are appropriately implemented and maintained, and (c) ensure that sufficient resources are available to develop, implement, and monitor the procedures and controls that address access control weaknesses.

***Management's Response*:** The Office of the Assistant Secretary for Administration and Management (OASAM) does not concur with this determination. DOL management asserts DOL policies, procedures and standards for management, operational, and technical controls are adequate and collectively provide compound safeguards and redundant security measures to ensure the integrity of DOL financial systems. Further, the controls inherent to specific applications are sufficiently designed and effective to prevent or detect any unauthorized access to DOL financial systems.

The report, as presented, does not adequately represent the operating environments of the systems audited, nor does it accurately relay the risk associated with the identified vulnerabilities. In general, risk levels are inflated based on the nature of the weaknesses noted. For example, an account which is disabled, but not deleted, does not represent a high risk as portrayed in the audit review. A disabled account does not permit unauthorized access to a system. Additionally, the findings do not represent a systemic deficiency which, when taken in aggregate, could adversely impact financial business processing.

As mentioned in the FY 2008 management response to this issue, a Department-wide comprehensive strategy was established to address the identified conditions. The following milestones were achieved in FY 2009:

- Revised access control policy to strengthen account management procedures by requiring agencies to conduct semiannual account reviews;
- Developed FY 2009 Security Testing and Evaluation plan that included access control and configuration management focused quarterly reviews; and
- Implemented automated configuration management tool, Secure Elements C5, to measure agency compliance with configuration management requirements.

The implemented strategy above attests to management's serious commitment to safeguard DOL information and information systems. In FY 2010, management will continue to deploy processes and procedures aimed at enhancing and strengthening the overall security posture of DOL's computer security program.

Auditor Response: The details of our FY 2009 IT findings and recommendations were provided to DOL management through the established Notification of Findings and Recommendations process. While we did not identify any individual finding as a significant deficiency, we evaluated the combination of certain findings, in accordance with auditing standards generally accepted in the United States of America, to conclude that a significant deficiency does exist, taking into consideration that certain findings, when assessed in aggregate, identified deficiencies in both detective and preventive access controls related to one or more financial systems. Although management stated that they do not concur with our recommendations, they plan on taking steps to address them. Therefore, these recommendations are considered **resolved and open**. FY 2010 audit procedures will determine whether these recommendations have been adequately addressed and can be considered closed.

2. Weakness Noted over Payroll Accounting

During FYs 2006 through 2009, DOL used the U.S. Department of Agriculture's (USDA) Office of Chief Financial Officer (OCFO)/National Finance Center (NFC) to process its payroll. For each pay period, DOL submitted to the NFC payroll information that included all DOL employees for the period, along with their hours worked, leave used, and other payroll related information for the period. The NFC processed the payroll for DOL each period and made available for download a Detail Pay and Deduct Register report for each DOL Human Resources office.

In FY 2006, we noted that DOL did not utilize the Detail Pay and Deduct Register reports to perform reviews or reconciliations of data processed by the NFC, and no other controls were in place during the year to ensure that the information that was submitted to NFC via Time and Attendance records was reconciled to what was shown as paid in the Detail Pay and Deduct Register.

We recommended that management develop and implement policies and procedures to reconcile payroll information provided to the NFC to the payroll information processed by the NFC each pay period. These reconciliations should be documented, reviewed, approved by an appropriate supervisor, and maintained.

As part of DOL's corrective action plan for FY 2007, the OCFO's PeoplePower Task Force created a Time and Attendance Reconciliation Report, and the DOL OCFO issued policies and procedures that stated that each DOL Human Resource office should review the Time and Attendance Reconciliation Reports each pay period and research and resolve differences identified. No offices that we tested in FY 2007 complied with the new OCFO procedures, but two offices that we tested performed their own reconciliation procedures.

During FY 2008, the OCFO issued revised policies and procedures dated October 23, 2007, requiring a review of the Time and Attendance Reconciliation Reports, and implemented these policies and procedures. The OCFO also performed monitoring department-wide to ensure that the reviews were completed, documented, and approved by an appropriate supervisor, and maintained. However, we noted that the reconciliation tested from the Atlanta processing center did not contain a signature to validate the review. In addition, the Time and Attendance Reconciliation Reports do not contain a space for the date of the review; therefore, the timeliness of the reconciliations and certifications was not verifiable.

The policies and procedures issued and the related reviews and audits appeared to reconcile and certify time and attendance records only. When we requested supporting documentation for the reviews of other NFC inputs and outputs (e.g., Gross Pay and Benefit Withholdings), we noted that the five agencies selected for FY 2008 testwork were able to provide the Detail Pay and Deduct Register report; however, the agencies could not provide evidence of review or recalculations of payroll-related items other than time and attendance. Therefore, we could not conclude that such reviews and recalculations were completed.

In FY 2009, DOL issued revised policies and procedures with an effective date of July 24, 2009, to provide guidance on the need for agencies to review payroll-related items other than time and attendance records. In addition to the revised policies issued, OCFO management has represented that they have also implemented a procedure to monitor the completion of the reviews of payroll-related items other than time and attendance. Since the revised policies and procedures were not effective until the last quarter of FY 2009, our testwork focused on the time and attendance reconciliation policies that were effective for the first three quarters (i.e., the majority) of FY 2009, and we did not test the revised procedures implemented in July 2009.

We selected a sample of 8 time and attendance reconciliations from various agencies, none of which were provided to us. We also noted that the OCFO had requested 38 sample items from the Human Resource offices to monitor compliance with policies and procedures. The OCFO only received 6 of the 38 sample items requested. As a result, we noted that insufficient evidence exists to determine that the preparation and review of payroll-related items, including time and attendance, were completed.

The lack of compensating reconciliation controls around the NFC compensation outputs increases the risk that payroll-related line items may be misstated due to errors in payroll processing by NFC.

Federal agencies that use external service providers, such as the NFC, should have controls in place to ensure the accuracy of processing outputs. As stated by the USDA OIG in its FY 2009 Report No. 11401-30-FM, "The accuracy and reliability of data processed by NFC and the resultant reports ultimately rests with the customer agency and any compensating controls implemented by such agencies."

OMB Circular No. 123, *Management's Responsibility for Internal Control*, states, "Application control should be designed to ensure that transactions are properly authorized and processed accurately and that the data is valid and complete. Controls should be established at an application's interfaces to verify inputs and outputs, such as edit checks."

Additionally, per the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, "Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties."

Based on our FY 2009 audit results, we consider the recommendation we made in FY 2006 as **resolved and open.** To close this recommendation in the future, the DOL OCFO should (a) ensure that Human Resource offices are reconciling all payroll information, not only time and attendance records, provided to the NFC to the payroll information processed by the NFC for each pay period and (b) ensure that these reconciliations are documented, reviewed, and approved by an appropriate supervisor, and maintained.

***Management's Response*:** Over the past two years, management has made considerable progress in the area of payroll processing. First, we implemented policies and procedures requiring reconciliation of time and attendance data. We also implemented procedures to reconcile payroll data provided by the National Finance Center (NFC) to that recorded in DOLAR$, another critical reconciliation of payroll information. In FY 2009, OCFO modified a payroll exception report developed in prior years, the Payroll/Time & Attendance Reconciliation Report. This report was improved in that it now lists both input and output discrepancies noted for each payroll period. The report is distributed to each Human Resources Office (HRO) on the Monday following each pay period. OCFO procedures require the HROs to review all discrepancies listed on the reports and complete a certification by the second Friday after each pay period. The certifications require signatures of the preparer and an HR supervisor, and discrepancies are required to be resolved by the end of the following pay period.

In July 2009, OCFO initiated procedures to monitor HRO compliance with the new certification process. OCFO performed independent reviews for a sample of the certifications, ensuring that the certification forms were properly completed, approved, and included all information listed on the reconciliation reports. OCFO reviews also included a determination as to whether reported discrepancies were subsequently resolved and corrected. Since the implementation of these procedures, OCFO has been successful in ensuring that HROs are completing and documenting the reconciliations in a timely fashion. We believe that the recommendations made by the auditors are fully resolved, and anticipate closure of this finding in the FY 2010 audit.

Auditor Response: As indicated above, DOL could not provide supporting documentation for any of the reconciliations we selected for our testing. However, since management addressed our recommendations by implementing additional procedures during the last quarter of FY 2009, we consider these recommendations **resolved and open**. FY 2010 audit procedures will determine whether these recommendations have been adequately addressed and can be considered closed.

3. Lack of Segregation of Duties over Journal Entries

During the FY 2006 audit, we noted that accounting staff from all DOL agencies were able to prepare and enter journal entries into the Department of Labor Accounting and Related Systems (DOLAR$) without approval. Although the OCFO had developed Department-wide manual policies and procedures designed to ensure the segregation of journal entry preparation and approval authority in the second quarter of FY 2007, which was revised and reissued in the second quarter of FY 2008, the same lack of supporting documentation evidencing management review and approval was noted during the FYs 2007 and 2008 audits.

During the course of the FYs 2006, 2007, and 2008 audits, we issued several recommendations to the OCFO, including the FY 2007 recommendation that management reconfigure DOLAR$ (and its successor system) so that journal entries entered into the DOLAR$ general ledger system (and its successor system) are required to be approved electronically by an individual other than the preparer before posting. We also recommended that:

- Agencies implement manual compensating review controls until system controls have been implemented.
- OCFO management monitor DOL employees' compliance with the Department wide-policies and procedures in place for documenting the review of all journal entries.
- OCFO management design and implement detective controls that require supervisors to periodically generate and review activity reports that list all journal entries posted to DOLAR$.

During FY 2009, we tested a sample of 622 journal entries recorded from October 1, 2008 through September 30, 2009. For 55 of these journal entries, the OCFO did not provide support evidencing that they had been reviewed by a supervisor or someone other than the preparer before they were posted to DOLAR$. DOL management indicated that 24 of the 55 exceptions noted should not be subject to the OCFO policy since they are related to recording commitments and sub-allocations and are subject to other review controls in the budget office; however, no documentation was provided by the OCFO to support that these entries were reviewed by the budget office staff. In addition, the OCFO written policy does not exempt these types of entries from the journal entry review procedures.

Furthermore, we noted that 20 journal entries were posted to DOLAR$ prior to review and approval as evidenced by the signature on the cover sheets of the journal entries.

We also noted during our review of DOL's June 30, 2009 consolidated financial statements that the OCFO staff made certain adjustments to the Combined Statement of Budgetary Resources (SBR) for a total of approximately $1.3 billion without posting these adjustments into DOLAR$ in the form of journal entries (i.e., top-side adjustments). No evidence existed to support that appropriate management personnel reviewed and approved these adjustments. In addition, DOL's current policies and procedures do not specifically cover top-side adjustment entries.

By posting transactions and making adjustments to the consolidated financial statements without proper review and approval and allowing individuals the authority to prepare and approve their own transactions in DOLAR$, there is an increased risk that a material error would not be prevented or detected and corrected in a timely manner. In addition, there is a risk that employees are not following policies and management is unaware of their non-compliance.

In addition, OCFO management represented that the New Core Financial Management System (NCFMS), to be implemented in January 2010 to replace DOLAR$, will require electronic approval by someone other than the preparer before journal entries are posted. As a result, we were again informed that DOL does not plan to implement the recommendation to reconfigure DOLAR$ so that journal entries entered into DOLAR$ are approved electronically by an individual other than the preparer before posting.

Per GAO's *Standards of Internal Control in the Federal Government*, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

Because management provided timeframes to implement the new general ledger system that requires electronic approval by someone other than the preparer before journal entries are posted, we consider the recommendation we made in FY 2007 **resolved and open**. To close the recommendation, management must ensure that the NCFMS is configured, upon implementation, so that journal entries entered into it are required to be approved electronically by an individual other than the preparer.

Because OCFO management does not consistently monitor DOL employees' compliance with the OCFO policies and procedures in place that require all journal entries to be properly prepared, supported, and approved before posting to DOLAR$ and that proper segregation of duties is in place related to the preparation and posting of journal entries, we consider the manual control recommendation made in FY 2006 as **unresolved**. To close this recommendation, management should (a) develop and implement procedures to monitor DOL agencies to determine they are in compliance with OCFO policies and procedures related to journal entries, (b) design and implement detective controls that require supervisors to periodically generate and review activity reports that list all journal entries posted to DOLAR$, and (c) revise the department-wide policies and procedures to require that all manual entries, including top-side adjustment entries, be documented and reviewed and approved by a supervisor or someone other than the preparer before the financial statements are adjusted. These controls should ensure that all journal entries and top-side adjustments that are posted are appropriate, supported, and documented.

***Management's Response*:** With respect to existing policies and procedures over journal entries, we disagree with the auditor's conclusion that prior year issues remain unresolved. OCFO has significantly improved the documentation and approval requirements over journal entries. Additional procedures were implemented in January 2009 to ensure that journal entries recorded in DOLAR$ are sufficiently reviewed and approved, and that adequate segregation of duties exists over the authorization, recording, and review and approval functions. During the year, OCFO conducted independent reviews of journal entries recorded by ETA, OJC, OCFO, and other agencies, and provided guidance to those agencies. With the recent policy revisions and other OCFO actions taken since this finding originated, we believe that OCFO has appropriate monitoring procedures in place to ensure that journal entries recorded by DOL agencies are subjected to sufficient segregation of duties and review and approval procedures.

We understand that many of the "errors" described by the auditors pertain specifically to entries made by ETA to record commitments and sub-allocations. The auditors contend that these transactions are recorded in DOLAR$ without proper review and approval or without appropriate segregation of duties. In fact, these transactions are initiated and authorized by different individuals prior to being recorded in DOLAR$, and are subjected to certain detective controls after recording to ensure accuracy. Commitments are recorded by the Budget Office only upon receipt of an EPS-generated document that records the initial request for funds and the subsequent approval by the program office. Sub-allocations are prepared by a budget analyst and are reviewed and approved by the Budget Officer prior to being recorded in DOLAR$. Subsequently, ETA's Budget Office utilizes two reports which act as detective controls to ensure the accuracy and completeness of allocations and commitments recorded in DOLAR$. Since these transactions are initiated, authorized, recorded, and reviewed by different individuals, we believe that the segregation of duties is intact and that existing review procedures ensure that amounts recorded in DOLAR$ are accurate and complete.

With respect to the new financial system, NCFMS, the system requires that the posting and approval functions for all journal entries be performed electronically and by separate individuals. All journal entries are held in suspense and are not recorded until electronic approval is received from the designated supervisor.

Based on these facts, we believe that the FY 2006 recommendation should be considered resolved, and that this finding does not rise to the level of a significant deficiency. At most it should be considered a management advisory comment.

Auditor Response: We believe that the results of our audit procedures support our conclusion that a significant deficiency exists in this area. As a result, we consider the system-related recommendation **resolved and open** and the remaining recommendations **unresolved** pending completion of a corrective action plan and timeframes for implementation.

4. Lack of Sufficient Controls over Financial Statement Preparation

During our review of DOL's June 30, 2009 and September 30, 2009 draft consolidated financial statements, we noted the following errors and omissions that were not detected by the OCFO's review of the draft financial statements:

1. The balance of distributed offsetting receipts reported in DOL's SBR as of June 30, 2009 and September 30, 2009 was understated by $22.5 billion and $197 million, respectively.
2. Total unobligated balances available and unobligated balances not available reported in DOL's SBR as of September 30, 2009 were misstated by $2.5 billion due to a classification error that caused this amount to be reported as unobligated balances not available instead of unobligated balances available.
3. The OCFO removed estimated interest payments from the Statement of Social Insurance for fiscal year 2009 and revised its fiscal years 2005 through 2008 consolidated financial statements to conform to this fiscal year 2009 presentation. However, the OCFO did not include a footnote disclosure in DOL's September 30, 2009 draft consolidated financial statements to explain the changes made to the presentation of the statement.
4. The earned revenue reported in Note 15 of the consolidated financial statements for one of DOL's agencies was initially overstated by $44.7 million. This intra-departmental amount was incorrectly reported as earned revenue instead of a non-expenditure transfer. This error had no impact on the consolidated statements of net cost because it was eliminated during consolidation.
5. Note 18D was initially incomplete as it did not include a reconciliation of distributed offsetting receipts from the SBR to the Budget of the United States Government.
6. The unobligated balance available reported in Note 2 is understated by $151 million as of September 30, 2009. This understatement is due to a classification error that is offset by overstatements of $69 million in obligated balance not yet disbursed and $82 million in unobligated balance unavailable. This classification error had no impact on the total Fund Balance with Treasury reported in Note 2.

Except for condition no. 6 related to Fund Balance with Treasury, the above errors were subsequently corrected by management in the final FY 2009 consolidated financial statements.

In addition, the OCFO did not complete the September 30, 2009 SBR to SF-133, *Report on Budget Execution and Budgetary Resources* (SF-133), reconciliation and research identified differences timely. The OCFO reconciliation was not completed until after the OCFO prepared two drafts of DOL's consolidated financial statements.

Furthermore, the OCFO did not provide us a complete set of DOL's September 30, 2009 draft consolidated financial statements and trial balances in a timely manner.

The above issues occurred because the OCFO did not perform a sufficiently detailed review of the consolidated financial statements to ensure that misstatements, errors, and omissions related to the statements, notes, required supplementary information, and required supplementary stewardship information were detected and corrected and that the draft financial statements were submitted timely. In addition, the *U.S. Department of Labor Manual Series* (DLMS) does not include specific guidance on the review procedures of the consolidated financial statements that would guide DOL supervisors during their reviews. Specifically related to condition no. 1, OCFO policy does not require the quarterly reconciliation of distributed offsetting receipts reported on DOL's SBR to distributed offsetting receipts reported on the U.S. Department of the Treasury's *Quarterly Distributed Offsetting Receipts by Department* Report. These issues resulted in the need to correct the consolidated financial statements prior to final submission, causing delays in the financial reporting process.

U.S. Government Accountability Office's (GAO), *Standards for Internal Control in the Federal Government (Standards)*, states, "Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties."

Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*, states "The agency head must establish controls that reasonably ensure that obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports..."

Statement of Federal Financial Accounting Concepts No.1, *Objectives of Federal Financial Reporting*, paragraph 163 states, "Financial reports should be consistent over time; that is, once an accounting principle or reporting method is adopted, it should be used for all similar transactions and events unless there is good cause to change."

OMB Circular No. A-136, *Financial Reporting Requirements*, section II.4.9.34, discusses the required financial statement note that explains the differences between the SBR and the Budget of the United States Government. "At a minimum, agencies should display the material differences for comparable line items related to budgetary resources, obligations, distributed offsetting receipts and outlays."

We recommend that the Chief Financial Officer (a) implement procedures to require that OCFO staff reconcile the amount of distributed offsetting receipts reported on DOL's quarterly SBR to distributed offsetting receipts reported on Treasury's *Quarterly Distributed Offsetting Receipts by Department* Report, (b) ensure that OCFO personnel perform a more detailed review of all financial information in the *Performance and Accountability Report* (PAR) including financial statements, notes, supplementary information, and supplementary stewardship information, (c) complete the quarterly reconciliations of the SBR to SF-133, including the completion of documented supervisory reviews over these reconciliations, by a certain date that facilitates timely identification and correction of potential SBR misstatements. and (d) update DLMS to include guidance for DOL supervisors to follow during their financial statement reviews, including procedures for comparing financial data reported on the different statements and notes to ensure accuracy and consistency.

***Management's Response*:** We believe that this finding overstates certain facts, and that the actual events that occurred do not warrant issuance of a significant deficiency. The quarterly and year-end financial statements are subjected to a draft and final submission process, and it is normal and appropriate for various analyses and reviews of draft financial statements to result in subsequent corrections and adjustments in the finals. At year-end, due to the tight deadlines for submission of the audit and year-end statements, the OCFO's reviews of the draft financial statements typically overlap with those of the auditors, and we believe it overstates the facts to conclude that our processes would not have detected many of the issues identified in this finding. The OCFO has the right to make corrections to draft financial statements until the final opinion is issued by the independent auditors. Furthermore, the auditor was made aware of all corrections to financial statements in all drafts submitted.

In regards to the offsetting receipts, OCFO does not concur with the auditor's statement that reconciliations of distributed offsetting receipts are not performed and does not believe there were any delays in the financial reporting process caused by this issue. The $197 million understatement was a result of the attempt to verify and reconcile FMS reported amounts to amounts recorded in DOL's general ledger. The understated amount quoted for June 30, 2009 is incorrect, a fact that the OCFO determined by subsequent reconciliation to the amount reported on the FMS website. FMS subsequently changed the amount reported for June 30, 2009. We also note that OCFO was not made aware that FMS had established a website for distributed offsetting receipts until after the June 30, 2009 unaudited interim statements were submitted to OMB.

As to the other matters mentioned by the auditors: (1) OCFO was aware of a discrepancy in unobligated balances but did not include changes to draft financial statements until it was able to sufficiently investigate the cause and accurately quantify the adjustment required; (2) the proposed changes for the Statement of Social Insurance were provided to the auditor in May 2009, and the related disclosures were included in subsequent draft financial statements; (3) intra-departmental transfers were originally recorded in accordance with the SF 132 presentation, and were corrected after consultation with OMB to insure proper treatment; and (4) OCFO believes that entire amount of distributed offsetting receipts was not material and, accordingly, Note 18D as presented in the original draft was in accordance with OMB guidance. OMB Circular No. A-136, as cited by the auditors, only requires disclosures of **material** differences.

While we do not concur with the auditor's description of the facts or their resulting conclusions, we do acknowledge that the time frames for financial reporting, especially at year end, put significant pressure on those involved in preparation and review of the financial statements. We agree that enhancing certain processes, and changing the frequency and/or timing of certain reconciliations, would alleviate some of the pressure and improve timeliness. Therefore, we will review existing procedures utilized in the preparation and review of quarterly and year-end financial statements, including the footnotes, and will identify areas in need of improvement. We will also look at the numerous reviews and reconciliations currently performed by the OCFO and other agencies, and will consider the need for increased frequency and stepped up time frames. Revised procedures will be developed and implemented accordingly, and will be updated in the DLMS if necessary by June 30, 2010.

Auditor Response: Although the OCFO stated that it does not concur with our comments, the OCFO will be taking steps to address our recommendations. Therefore, we consider these recommendations **resolved and open**. FY 2010 audit procedures will determine whether these recommendations have been adequately addressed and can be considered closed.

Annual Financial Statements

Principal Financial Statements and Notes

Principal Financial Statements Included in This Report

The principal financial statements included in this report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990 (P.L. 101-576), the Government Management Reform Act of 1994 and Office of Management and Budget's (OMB) Circular No. A-136, "Financial Reporting Requirements." The responsibility for the integrity of the financial information included in these statements rests with management of the U.S. Department of Labor (DOL). The audit of DOL's principal financial statements was performed by KPMG LLP. The auditors' report accompanies the principal statements.

The Department's principal financial statements for fiscal years (FY) 2009 and 2008 consisted of the following:

- The **Consolidated Balance Sheet**, which presents as of September 30, 2009 and 2008 those resources owned or managed by DOL that are available to provide future economic benefits (assets); amounts owed by DOL that will require payments from those resources or future resources (liabilities); and residual amounts retained by DOL, comprising the difference (net position).

- The **Consolidated Statement of Net Cost**, which presents the net cost of DOL operations for the years ended September 30, 2009 and 2008. DOL's net cost of operations includes the gross costs incurred by DOL less any exchange revenue earned from DOL activities. Due to the complexity of DOL's operations, the classification of gross cost and exchange revenues by major program and suborganization is presented in Note 15 to the consolidated financial statements.

- The **Consolidated Statement of Changes in Net Position**, which presents the change in DOL's net position resulting from the net cost of DOL operations, budgetary financing sources other than exchange revenues, and other financing sources for the years ended September 30, 2009 and 2008.

- The **Combined Statement of Budgetary Resources**, which presents the budgetary resources available to DOL during FY 2009 and 2008, the status of these resources at September 30, 2009 and 2008, the change in obligated balance during FY 2009 and 2008, and net outlays of budgetary resources for the years ended September 30, 2009 and 2008.

- The **Statement of Social Insurance,** which presents the net present value of projected cash inflows and cash outflows of the Black Lung Disability Trust Fund as of September 30, 2009, 2008, 2007, 2006, and 2005.

CONSOLIDATED BALANCE SHEET
As of September 30, 2009 and 2008
(Dollars in Thousands)

	2009	2008
ASSETS		
Intra-governmental		
Funds with U.S. Treasury (Notes 1-C and 2)	$ 14,406,751	$ 9,428,930
Investments (Notes 1-D and 3)	20,111,346	73,564,675
Accounts receivable (Notes 1-E and 4)	5,467,497	4,076,877
Total intra-governmental	39,985,594	87,070,482
Accounts receivable, net of allowance (Notes 1-E and 4)	1,353,841	976,428
Property, plant and equipment, net of accumulated depreciation (Notes 1-F and 5)	1,154,240	1,140,999
Other		
Advances (Notes 1-G and 6)	1,691,098	756,410
Total assets	$ 44,184,773	$ 89,944,319
LIABILITIES AND NET POSITION		
Liabilities (Note 1-I)		
Intra-governmental		
Accounts payable	$ 17,983	$ 28,782
Debt (Notes 1-J and 8)	14,351,967	10,483,557
Other liabilities (Note 9)	101,424	219,337
Total intra-governmental	14,471,374	10,731,676
Accounts payable	1,346,997	908,799
Accrued benefits (Notes 1-K and 10)	4,627,250	1,775,576
Future workers' compensation benefits (Notes 1-L and 11)	889,259	762,836
Other		
Energy employees occupational illness compensation benefits (Note 1-M)	8,063,563	8,099,319
Accrued leave (Note 1-N)	107,311	111,507
Other liabilities (Note 9)	150,442	240,849
Total liabilities	29,656,196	22,630,562
Contingencies (Note 13)		
Net position (Note 1-R)		
Unexpended appropriations - other funds	10,825,237	8,169,166
Cumulative results of operations		
Earmarked funds (Note 21)	4,562,666	62,052,699
Other funds	(859,326)	(2,908,108)
Total net position	14,528,577	67,313,757
Total liabilities and net position	$ 44,184,773	$ 89,944,319

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST
For the Years Ended September 30, 2009 and 2008
(Dollars in Thousands)

	2009	2008
NET COST OF OPERATIONS (Notes 1-S and 15)		
CROSSCUTTING PROGRAMS		
Income maintenance		
Gross cost	$ 133,351,382	$ 53,680,770
Less earned revenue	(3,780,083)	(3,365,944)
Net program cost	129,571,299	50,314,826
Employment and training		
Gross cost	7,205,646	5,703,975
Less earned revenue	(11,439)	(12,184)
Net program cost	7,194,207	5,691,791
Labor, employment and pension standards		
Gross cost	720,836	694,041
Less earned revenue	(13,517)	(13,240)
Net program cost	707,319	680,801
Worker safety and health		
Gross cost	943,808	920,563
Less earned revenue	(2,750)	(2,837)
Net program cost	941,058	917,726
OTHER PROGRAMS		
Statistics		
Gross cost	629,399	611,049
Less earned revenue	(8,321)	(5,275)
Net program cost	621,078	605,774
COSTS NOT ASSIGNED TO PROGRAMS		
Gross cost	96,777	111,912
Less earned revenue not attributed to programs	(13,247)	(15,836)
Net cost not assigned to programs	83,530	96,076
Net cost of operations	$ 139,118,491	$ 58,306,994

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2009 and 2008
(Dollars in Thousands)

	2009			2008		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Cumulative results of operations, beginning	$ 62,052,699	$ (2,908,108)	$ 59,144,591	$ 65,388,181	$ (2,112,853)	$ 63,275,328
Adjustments						
Change in accounting principle (Note 1-B)	-	(30,268)	(30,268)	-	-	-
Beginning balances, as adjusted	62,052,699	(2,938,376)	59,114,323	65,388,181	(2,112,853)	63,275,328
Budgetary financing sources (Note 1-T)						
Appropriations used	-	42,689,532	42,689,532	-	10,107,739	10,107,739
Non-exchange revenue (Note 16)						
Employer taxes	35,954,378	-	35,954,378	38,307,831	-	38,307,831
Interest	2,059,807	187	2,059,994	3,639,276	5,423	3,644,699
Assessments	-	779	779	-	136,827	136,827
Reimbursement of unemployment benefits	2,763,817	-	2,763,817	1,768,182	-	1,768,182
Total non-exchange revenue	40,778,002	966	40,778,968	43,715,289	142,250	43,857,539
Transfers without reimbursement (Note 17)	18,514,212	(18,414,660)	99,552	(3,683,586)	3,773,365	89,779
Other financing sources (Note 1-U)						
Imputed financing from costs absorbed by others	170	136,483	136,653	195	117,814	118,009
Transfers without reimbursement (Note 17)	-	2,803	2,803	-	3,191	3,191
Total financing sources	59,292,384	24,415,124	83,707,508	40,031,898	14,144,359	54,176,257
Net cost of operations	(116,782,417)	(22,336,074)	(139,118,491)	(43,367,380)	(14,939,614)	(58,306,994)
Net change	(57,490,033)	2,079,050	(55,410,983)	(3,335,482)	(795,255)	(4,130,737)
Cumulative results of operations, ending	4,562,666	(859,326)	3,703,340	62,052,699	(2,908,108)	59,144,591
Unexpended appropriations, beginning	-	8,169,166	8,169,166	-	8,207,904	8,207,904
Budgetary financing sources (Note 1-T)						
Appropriations received (Note 18-F)	-	43,475,352	43,475,352	-	10,936,004	10,936,004
Appropriations transferred	-	2,516,238	2,516,238	-	(431,909)	(431,909)
Appropriations not available	-	(645,987)	(645,987)	-	(435,094)	(435,094)
Appropriations used	-	(42,689,532)	(42,689,532)	-	(10,107,739)	(10,107,739)
Subtotal	-	2,656,071	2,656,071	-	(38,738)	(38,738)
Unexpended appropriations, ending	-	10,825,237	10,825,237	-	8,169,166	8,169,166
Net position	$ 4,562,666	$ 9,965,911	$ 14,528,577	$ 62,052,699	$ 5,261,058	$ 67,313,757

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2009 and 2008
(Dollars in Thousands)

	2009	2008
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1	$ 4,157,428	$ 4,311,781
Recoveries of prior year unpaid obligations	262,069	418,195
Budget authority		
Appropriations received (Note 18-F)	167,463,706	58,784,002
Borrowing authority	14,445,717	426,000
Spending authority from offsetting collections		
Earned		
Collected	1,860,954	2,947,436
Change in receivables from Federal sources	5,136	(3,996)
Change in unfilled customer orders		
Advance received	(23,131)	2,312
Expenditure transfers from trust funds	5,348,330	3,772,387
Total budget authority	189,100,712	65,928,141
Nonexpenditure transfers, net	(1,703)	(9,750)
Temporarily not available pursuant to Public Law	(35,130)	(198,557)
Permanently not available		
Redemption of debt	(10,483,557)	-
All other	(1,080,459)	(852,906)
Total budgetary resources	$ 181,919,360	$ 69,596,904
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 18-A)		
Direct	$ 174,719,690	$ 62,457,299
Reimbursable	3,075,035	2,982,177
Total obligations incurred	177,794,725	65,439,476
Unobligated balances available		
Apportioned	3,232,633	2,499,272
Exempt from apportionment	301,633	239,399
Total unobligated balances available	3,534,266	2,738,671
Unobligated balances not available	590,369	1,418,757
Total status of budgetary resources	$ 181,919,360	$ 69,596,904
CHANGE IN OBLIGATED BALANCE		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	$ 9,363,199	$ 9,369,528
Less uncollected customer payments from Federal sources, brought forward, October 1	(1,183,351)	(1,261,368)
Total unpaid obligated balance, net	8,179,848	8,108,160
Obligations incurred, net	177,794,725	65,439,476
Less gross outlays	(168,678,920)	(65,027,610)
Less recoveries of prior year unpaid obligations, actual	(262,069)	(418,195)
Change in uncollected customer payments from Federal sources	(1,148,424)	78,017
Obligated balance, net, end of period		
Unpaid obligations	18,216,935	9,363,199
Less uncollected customer payments from Federal sources	(2,331,775)	(1,183,351)
Total unpaid obligated balance, net, end of period	$ 15,885,160	$ 8,179,848
NET OUTLAYS		
Gross outlays	$ 168,678,920	$ 65,027,610
Less offsetting collections	(6,078,853)	(6,788,590)
Less distributed offsetting receipts	(24,625,433)	(740,880)
Net outlays	$ 137,974,634	$ 57,498,140

The accompanying notes are an integral part of these statements.

STATEMENT OF SOCIAL INSURANCE
As of September 30, 2009, 2008, 2007, 2006, and 2005
(Dollars in Thousands)

	Projection Periods Ending September 30, 2040				
					Unaudited
	2009	2008	2007	2006	2005
BLACK LUNG DISABILITY BENEFIT PROGRAM (Note 1-W)					
Actuarial present value of future benefit payments during the projection period to disabled coal miners and dependent survivors	$ 2,170,943	$ 2,139,810	$ 2,450,064	$ 2,722,801	$ 2,622,302
Present value of estimated future administrative costs during the projection period	984,996	827,437	831,439	848,218	845,158
Actuarial present value of future benefit payments and present value of estimated administrative costs during the projection period	3,155,939	2,967,247	3,281,503	3,571,019	3,467,460
Less the present value of estimated future excise tax income during the projection period	8,876,813	8,009,265	7,897,423	7,957,821	8,536,401
Excess of present value of estimated future excise tax income over actuarial present value of benefit payments and present value of estimated administrative costs for the projection period	$ 5,720,874	$ 5,042,018	$ 4,615,920	$ 4,386,802	$ 5,068,941
Trust fund net position deficit at start of projection period (Note 21)	$ (6,320,321)	$ (10,439,186)	$ (10,027,701)	$ (9,604,743)	$ (9,160,009)

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Department of Labor (DOL or the Department), 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 four major budget functions: education, training, employment, and social services; health (occupational health and safety); income security; and national defense. DOL's major program agencies, major programs in which they operate, and the relationship of these programs to the Department's 2009 Strategic Goals are shown below.

1. **Major program agencies**

- Employment and Training Administration (ETA)
- Employment Standards Administration (ESA)
- Office of Job Corps
- Occupational Safety and Health Administration (OSHA)
- Bureau of Labor Statistics (BLS)
- Mine Safety and Health Administration (MSHA)
- Employee Benefits Security Administration (EBSA)
- Veterans' Employment and Training Services (VETS)
- Other Departmental Programs
    - Office of the Assistant Secretary for Administration and Management
    - Office of the Solicitor
    - Office of the Chief Financial Officer
    - Office of Inspector General
    - Bureau of International Labor Affairs
    - Women's Bureau
    - Office of Disability Employment Policy

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 for purposes of these consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

2. Major programs

- Income maintenance – Strategic Goal 4
- Employment and training – Strategic Goals 1 and 2
- Labor, employment, and pension standards – Strategic Goals 3 and 4
- Worker safety and health – Strategic Goal 3
- Statistics – Strategic Goal 1

Note 15 shows expenses by major program agencies which correspond to the Department's strategic goals.

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 used in reporting to Treasury Financial Management Services and OMB. For financial statement purposes, funds are classified as earmarked funds, fiduciary funds and all other funds.

Earmarked funds are financed by specifically identified revenues often supplemented by other financing sources which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the Government’s general revenues.

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary cash and other assets are not assets of the Federal Government and accordingly are not recognized on the balance sheet.

Earmarked funds, fiduciary funds and all other funds are identified as follows:

Earmarked 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 Black Lung Disability Trust Fund, established under Part C of the Black Lung Benefits Revenue Act, provides compensation and medical benefits to coal miners who suffer disability due to pneumoconiosis, and compensation benefits to their dependent survivors for claims filed subsequent to June 30, 1973. Claims filed from the origination of the program until June 30, 1973 are paid by the general fund Special Benefits to Disabled Coal Miners.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

Earmarked funds - continued

The Gifts and Bequests Fund uses miscellaneous funds received by gift or bequest to support various activities of the Secretary of Labor.

The Panama Canal Commission Compensation Fund was established to pay workers compensation obligations of the Panama Canal Commission under the Federal Employees' Compensation Act from funding provided by the Commission.

H-1B Funds provide demonstration grants to regional and local entities to provide technical skills training to unemployed and incumbent workers. The funds are 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.

Fiduciary funds

- Trust funds

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 Act authorizes the Department to assess insurance carriers on behalf of these beneficiaries.

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 Act authorizes the Department to assess insurance carriers on behalf of these beneficiaries.

- Deposit fund

The Wage and Hour and Public Contracts Restitution Fund, established by the Fair Labor Standards Amendments of 1949, authorized the Department to assess employers for any unpaid minimum wages or unpaid overtime compensation owed to any employee or employees as a result of violation of labor laws and statutes and pay these wages directly to the employee or employees affected.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds

- 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. Management and administration of Job Corps activities was transferred from the Employment and Training Administration to an autonomous office under the Secretary during FY 2006. Job Corps funding, appropriated to ETA in 2006 and 2007, was transferred to the Office of Job Corps via an allotment process.

The Office of Job Corps supports the administration and management of the Job Corps program, which helps at-risk youth who need and can benefit from intensive education and training services to become more employable, responsible, and productive citizens. The Consolidated Appropriations Act, 2008 appropriated Job Corps funding directly to the Office of Job Corps, requiring the creation of a new Federal account symbol for the Office of Job Corps. In FY 2008, Job Corps costs associated with the 2008 appropriation were reported under a new sub-organization for the Office of Job Corps at the Departmental level. Costs associated with prior year appropriations were reported under the Employment and Training Administration's Training and Employment Services where they were originally budgeted and appropriated. In FY 2009, under mandate by OMB, all outstanding Job Corps balances under prior year appropriations were transferred from ETA to the sub-organization for the Office of Job Corps at the Departmental level.

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.

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 individuals 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 the administrative costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds - continued

- General funds - continued

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 loans to the Black Lung Disability Trust Fund to make disability payments whenever the fund balance proves insufficient.

Federal Unemployment Benefits and Allowances provides for payment of benefits, training, job search, and relocation allowances as authorized by the Trade Act of 1974.

Community Service Employment for Older Americans provides part time work experience in community service activities to unemployed, low income persons aged 55 and over.

The Federal Employees' Compensation Act Special Benefit Fund provides wage replacement benefits and payment for medical services to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury. The Fund also provides for rehabilitation of injured employees to facilitate their return to work.

The Energy Employees Occupational Illness Compensation Fund was established to adjudicate, administer, and pay claims for benefits under the Energy Employees Occupational Illness Compensation Program Act of 2000. The Act authorizes lump sum payments and the reimbursement of medical expenses to employees of the Department of Energy (DOE) or of private companies under contract with DOE, who suffer from specified diseases as a result of their work in the nuclear weapons industry. The Act also authorizes compensation to the survivors of these employees under certain circumstances. The Act was amended by the Ronald Reagan National Defense Authorization Act of 2005 to provide coverage to additional claimants.

Special Benefits for Disabled Coal Miners was established under the Federal Mine Safety and Health Act to pay benefits to coal miners disabled from pneumoconiosis and to their widows and certain other dependents. Part B of the Act assigned processing of claims filed from the origination of the program until June 30, 1973 to the Social Security Administration. Part B claims processing and payment operations were transferred to DOL effective October 1, 2003.

Federal Additional Unemployment Compensation was established under the American Recovery and Reinvestment Act of 2009 (Recovery Act) to provide a $25 weekly supplement to the unemployment compensation of eligible claimants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds - continued

The Recovery Act was enacted on February 17th, 2009. DOL's key roles in the Recovery Act effort include providing worker training for jobs and easing the burden of the recession on workers and employers by providing extended and expanded unemployment benefits and assisting and educating them regarding expanded access to continued health benefits. These efforts are funded through additional Federal account symbols, established under existing programs, including Training and Employment Services, Office of Job Corps, State Unemployment Insurance and Employment Service Operations, and Payments to the Unemployment Trust Fund.

- 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.

- 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 (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.

- 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.

4. Inter-departmental relationships

DOL and 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.

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 and budgetary resources of the U.S. Department of Labor, and estimated and actuarial projections for the Department's Black Lung social insurance program, in accordance with U.S. generally accepted accounting principles and the form and content requirements of OMB Circular No. A 136, "Financial Reporting Requirements." Except as described in the following paragraphs, 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 inter-fund balances and transactions have been eliminated, except in the Statement of Budgetary Resources. OMB Circular No. A-136 requires that the Statement of Budgetary Resources be presented on a combined basis.

DOL is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

OMB Circular No. A-136 requires the parent to report all budgetary and proprietary activity in its financial statements. DOL allocates appropriations to the Department of Agriculture and the Department of Interior to provide funds for youth training programs. Accordingly, all activity for these allocation accounts is included in the DOL financial statements for FY 2009 and FY 2008. Appropriations have been allocated to DOL from the Environmental Protection Agency, the State Department and the Agency for International Development. These amounts have not been included in the DOL financial statements for FY 2009 or FY 2008, as they are reported by those other agencies.

Effective in FY 2009, paragraphs 83-87 of Statement of Federal Financial Accounting Standards (SFFAS) 7 ("dedicated collections") have been rescinded per paragraph 34 of SFFAS 31, "Accounting for Fiduciary Activities." Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary cash and other assets are not assets of the Federal Government. Fiduciary activities are no longer recognized on the proprietary financial statements, but are required to be reported in the notes to the financial statements. (See Note 22) The effect of removing the funds which account for these fiduciary activities from the proprietary financial statements on beginning cumulative results of operations is reflected as a change in accounting principle on the Consolidated Statement of Changes in Net Position.

U.S. generally accepted accounting principles 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Accounting and Presentation - Continued

Throughout these financial statements, intra-governmental assets, liabilities, earned revenue, and costs have been classified according to the type of entity with whom the transactions were made. Intra-governmental assets and liabilities are those from or to other federal entities. Intra-governmental earned revenue represents collections or accruals of revenue from other federal entities, and intra-governmental costs are payments or accruals to other federal entities.

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

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with DOL's earmarked funds. The cash receipts collected from the public for earmarked funds are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Interest earning Treasury securities are issued to DOL's earmarked funds as evidence of the receipts. These Treasury securities are assets to DOL and liabilities to the U.S. Treasury. Because DOL and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury securities provide DOL with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When DOL requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Balances held in the Unemployment Trust Fund are invested in non-marketable, special issue Treasury securities (certificates of indebtedness and bonds) available for purchase exclusively by Federal government agencies and trust funds. Special issues are purchased and redeemed at face value (cost), which is equivalent to their net carrying value on the Consolidated Balance Sheet. Interest rates and maturity dates vary. Balances held in the Panama Canal Commission Compensation Fund are invested in marketable Treasury securities. These investments are stated at amortized costs that equal to their net carrying value on the Consolidated Balance Sheet. Discounts and premiums are amortized using the effective interest method. Interest rates and maturity dates vary. Management expects to hold these marketable securities until maturity; therefore, no provision is made in the financial statements for unrealized gains or losses. Balances held in the Energy Employees Occupational Illness Compensation Fund are invested in non-marketable Treasury one day certificates. In FY 2008, balances held in the Longshore and Harbor Workers' Compensation Act Trust Fund and the District of Columbia Workmen's Compensation Act Trust Fund were invested in non-marketable Treasury one day certificates. (See Note 3)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 (FECA) Special Benefit Fund provides workers' compensation 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 and reimbursements of benefits paid on behalf of reimbursable employers. Also recognized as accounts receivable are benefit overpayments made by DOL to individuals not entitled to receive the benefit.

DOL recognizes as accounts receivable amounts due from the public for fines and penalties levied against employers by OSHA, MSHA, ESA, and EBSA; for amounts due for backwages assessed against employers by ESA; and for amounts due from grantees and contractors for grant and contract costs disallowed by ETA.

3. Allowance for doubtful accounts

Accounts receivable due from the public 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. Intra-governmental accounts receivable are considered fully collectible. (See Note 4)

F. Property, Plant and Equipment, Net of Accumulated 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. Internal use software is considered general purpose PP&E.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Property, Plant and Equipment, Net of Accumulated Depreciation - Continued

DOL's capitalization thresholds are displayed in the following table.

Property classification	Prior to FY 1996	FY 1996 through FY 2001	FY 2002 and thereafter	Useful life
Equipment – WCF	> $5,000	> $5,000	>= $50,000	>= 2 years
Equipment – Non WCF	> $5,000	> $25,000	>= $50,000	>= 2 years
Real Property Purchases or Improvements	> $5,000	> $25,000	> $500,000	>= 2 years
Leasehold Improvements	> $5,000	> $25,000	> $500,000	>= 2 years
Internal Use Software – WCF	> $5,000	> $5,000	> $300,000	>= 2 years
Internal Use Software – Non WCF	> $5,000	> $300,000	> $300,000	>= 2 years

PP&E purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred. PP&E 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 lives. Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration are recorded at cost and amortized over the remaining life of the lease or the useful life of the improvements, whichever is shorter, using the straight-line method of amortization. DOL operating leases have one year terms with multiple option years. The leases are cancelable by the government upon appropriate notice as specified in the lease agreements. Historically, these leases have not been canceled, and DOL has no intention to cancel these leases in the near term.

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 lives.

The table below shows the major classes of DOL's depreciable PP&E, and the depreciation periods used for each major classification. (See Note 5)

	Years
Structures, facilities and improvements	20 - 50
Furniture and equipment	2 - 36
Internal use software	2 - 15

G. 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 6)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. Liabilities are also considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. Liabilities are classified as not covered by budgetary resources if budgetary resources are not available. These classifications differ from budgetary reporting, which categorizes liabilities as obligated, consuming budgetary resources, or unobligated, not consuming budgetary resources. Unobligated liabilities include those covered liabilities for which available budgetary resources have not been obligated, as well as liabilities not covered for which budgetary resources are not available. (See Notes 11 and 12)

J. Debt

DOL's debt consisted of the following:

1. **Black Lung Disability Trust Fund borrowings from U.S. Treasury**

   Repayable advances outstanding as of September 30, 2008 were retired on October 7, 2008 under the refinancing agreement authorized by the enactment of the Energy Improvement and Extension Act of 2008 (P.L. 110-343, section 113) on October 3, 2008. The Act gave authority to the Black Lung Disability Trust Fund to issue new obligations to the Secretary of Treasury and gave authority to the Secretary of Treasury to purchase the new obligations. However, as the Act did not provide Treasury with an appropriated funding for the purchase, the refinancing could not be effected as a sale and purchase and was therefore treated by Treasury as a loan through Treasury's Federal Borrowings Program.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Debt - Continued

1. Black Lung Disability Trust Fund borrowings from U.S. Treasury - Continued

These borrowings from Treasury's Bureau of Public Debt were structured with provisions identical to the zero-coupon bonds that were to be the original obligations issued by the Trust Fund. The borrowings repayment provisions are structured as 32 discounted instruments with sequential annual September 30th maturities over the 32-year period 2009 through 2040 and bear interest rates ranging from 1.412% to 4.556%. Interest on each instrument accrues until its September 30th maturity date or the instrument is prepaid, whichever occurs first. These repayments will be funded by coal excise taxes. In the event that the Trust Fund cannot repay a discounted instrument when it matures, cannot make benefit payments, or cannot make other authorized expenditures, the Act authorizes the issuance of one-year discounted instruments to finance these activities. There were no additional borrowings in FY 2009.

The Act authorized restructuring of the Trust Fund debt by the repayment of the market value of outstanding repayable advances with the proceeds of the borrowings described above and a one-time appropriation. Pursuant to the refinancing, the market value of the outstanding repayable Advances from U.S. Treasury plus accrued interest was $12.994 billion. The total value of the new borrowings was $6.496 billion. The one-time appropriation amount was $6.498 billion. The Trust Fund recognized a loss of $2.496 billion for the difference between the market value of the outstanding advances of $12.994 billion as determined by Treasury and the carrying value of the outstanding advances and accrued interest of $10.498 billion.

2. Black Lung Disability Trust Fund advances from U.S. Treasury

Prior to October 3, 2008, the Benefits Revenue Act provided for repayable advances to DOL's Black Lung Disability Trust Fund when fund resources are not adequate to meet fund obligations. Budget authority is derived from the Black Lung Disability Trust Fund's indefinite authority to borrow. Repayable advances were provided through transfers from the Advances to the Unemployment Trust Fund and Other Funds appropriation, to the extent of borrowings under the authority. Advances were payable with interest rate 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 bore interest rates ranging from 4.250% to 13.875% at September 30, 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Debt - Continued

3. Unemployment Trust Fund advances from U.S. Treasury

The repayable advances outstanding as of September 30, 2009 are borrowings from the General Fund of the U.S. Treasury pursuant to the authority of section 1203 of the Social Security Act (42 USC 1323) and appropriated through P.L. 111-8 (123 Stat. 754) and P.L. 111-46 (123 Stat. 1970) to fund Title XII loans to states for unemployment benefits. These repayable advances bear an interest rate of 3.375% and were computed as the average interest rate, as of the end of the calendar month preceding the issuance date of the advance, for all interest bearing obligations of the United States then forming the public debt, to the nearest lower one-eighth of 1 percent. Interest on the repayable advances is due on September 30th of each year. Advances will be repaid by transfers from the Unemployment Trust Fund to the General Fund of the Treasury when the Secretary of the Treasury, in consultation with the Secretary of Labor, has determined that the balance in the Unemployment Trust Fund is adequate to allow repayment.

K. Accrued Benefits

The financial statements include a liability for unemployment, workers' compensation, and disability benefits due and payable from various DOL funds, as discussed below. (See Note 10)

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. However, the Recovery Act has provided for a 100% Federal funding of extended benefits through December 2009. Emergency unemployment benefits, 2008, authorized by the Supplemental Appropriations Act, 2008, are paid from EUCA and are financed by Federal unemployment taxes and general fund appropriations. This emergency program has been extended to May 2010 by the Recovery Act, which also provided additional general fund appropriations. Emergency benefits were paid in prior years under the Temporary Extended Unemployment Compensation Act and the Emergency Unemployment Compensation Act. 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. The Recovery Act also provided for Federal Additional Unemployment Compensation, which is a $25 weekly supplement to the unemployment compensation of eligible claimants. This supplement is 100% funded from Federal general revenues and is payable to individuals who are otherwise entitled under state law to receive any type of unemployment compensation discussed above through December 2009. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. 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 DOL and other Federal agencies and for 10(h) benefits is accrued to the extent of unpaid benefits applicable to the current period.

3. Black lung disability benefits payable

The Black Lung Disability Trust Fund and Special Benefits for Disabled Coal Miners provide compensation and medical benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

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 (RECA). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

L. Future Workers' Compensation Benefits

The financial statements include an actuarial 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 injury years to predict the ultimate payments.

The actuarial 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 COLAs and CPIMs used in the projections for FY 2009 and FY 2008 were as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Future Workers' Compensation Benefits - Continued

	COLA		CPIM	
FY	2009	2008	2009	2008
2009	N/A	3.87%	N/A	4.01%
2010	0.47%	2.73%	3.42%	3.86%
2011	1.40%	2.20%	3.29%	3.87%
2012	1.50%	2.23%	3.48%	3.93%
2013	1.80%	2.30%	3.71%	3.93%
2014+	2.00%	2.30%	3.71%	3.93%

Projected annual payments were discounted to present value based on OMB's interest rate assumptions for ten year Treasury notes. For 2009, interest rate assumptions were 4.223% in year one and 4.715% in year two and thereafter. For 2008, interest rate assumptions were 4.368% in year one and 4.77% in year two and thereafter. (See Note 11)

M. 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 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 (RECA). 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. Prior to October 2004, compensation of $50,000 and payment of medical expenses from the date a claim is filed are available to individuals eligible for compensation under RECA. As a result of the October 2004 changes, new RECA cases are paid the full $150,000 under EEOICPA.

The Ronald Reagan National Defense Authorization Act of 2005 amended EEOICPA to include Subtitle E – Contractor Employee Compensation. This amendment replaces Part D of the EEOICPA, which provided assistance from DOE in obtaining state workers' compensation benefits. The new program grants workers' compensation benefits to covered employees and their families for illness and death arising from exposure to toxic substances at a DOE facility. The amendment also makes it possible for uranium workers as defined under Section 5 of RECA to receive compensation under Part E for illnesses due to toxic substance exposure at a uranium mine or mill covered under that Act. These claims were formerly paid by the Department of Justice (DOJ).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Energy Employees Occupational Illness Compensation Benefits - Continued

DOL has recognized an $8.064 billion and $8.099 billion actuarial liability for estimated future benefits payable by DOL at September 30, 2009 and 2008, respectively, to eligible individuals under the EEOICPA. At September 30, 2009, the undiscounted liability is $12.759 billion discounted to a present value liability of $8.064 billion based on an interest rate of 4.715% projected over a 51 year period. At September 30, 2008, the undiscounted liability is $13.066 billion discounted to a present value liability of $8.099 billion based on an interest rate 4.770% projected over a 52 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.

N. Accrued Leave

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. The balance of leave earned but not taken will be paid from future funding sources. Sick leave and other types of non-vested leave are expensed as taken.

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 (FEGLIP). DOL matches the employee contributions to each program to pay for current benefits. During 2009, DOL's contributions to the FEHBP and FEGLIP were $82.5 and $2.2 million, respectively. During 2008, DOL's contributions to the FEHBP and FEGLIP were $79.6 and $2.1 million, respectively. These contributions are recognized as current operating expenses.

P. Other Retirement Benefits

DOL employees eligible to participate in the FEHBP and the FEGLIP 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. Using cost factors supplied by OPM, DOL recorded ORB imputed costs and imputed financing sources of $97.5 million in 2009 and $81.1 million in 2008.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q. Employee Pension Benefits

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). For employees participating in CSRS, 7.0% of their gross earnings is withheld and transferred to the Civil Service Retirement and Disability Fund. DOL contributes an additional 7.0% of the employee gross earnings to the Civil Service Retirement and Disability Fund. For employees participating in FERS, DOL withholds 0.8% of gross earnings and makes an 11.2% 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 withholdings. DOL makes matching FICA contributions, recognized as operating expenses. DOL's matching contributions were $78.5 million in 2009 and $74.5 million in 2008.

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 $15,500 of their gross pay to the TSP during calendar year 2009, but there is no departmental matching contribution. FERS participants may contribute up to $15,500 of their gross pay to the TSP during calendar year 2009. CSRS and FERS contribution limits were the same during calendar year 2008. For employees covered under FERS, DOL contributes 1% of the employees' gross pay to the TSP. DOL also matches employees' contributions dollar-for-dollar on the first 3% of pay contributed each pay period and 50 cents on the dollar for the next 2% of pay contributed. DOL contributions to the TSP are recognized as current operating expenses. 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.

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 an imputed cost and 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 14)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 those appropriations are closed, five years after the appropriations expire. Unexpired multi-year and no-year appropriations remain available to DOL for obligation in future periods.

2. Cumulative results of operations

Cumulative results of operations include 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 net program 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 sub-organization in Note 15 to the financial statements.

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 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 to the Unemployment Trust Fund from Federal agencies for the cost of unemployment benefits provided to or accrued on behalf of their former employees.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 primarily from the Federal government's power to demand payments 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 16)

- 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 DOL.

Federal and state unemployment taxes represent non-exchange revenues collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service and transferred to designated accounts within the Unemployment Trust Fund. State unemployment taxes are collected by each State and deposited in separate State accounts within the Unemployment Trust Fund. Federal unemployment taxes are used to pay the Federal share of extended unemployment benefits and to provide for Federal and State administrative expenses related to the operation of the unemployment insurance program. State unemployment taxes are restricted in their use to the payment of unemployment benefits.

- Interest

The Unemployment Trust Fund, the Panama Canal Commission Compensation Fund, and the Energy Employees Occupational Illness Compensation Fund receive interest on fund investments. The Unemployment Trust Fund receives interest from states that had accounts with loans payable to the Federal unemployment account at the end of the prior fiscal year. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

T. Budgetary Financing Sources - Continued

2. Non-exchange revenue - continued

- Assessments

Assessments consist of penalties levied against employers by ESA for regulatory violations. In FY 2008, assessments levied on insurance companies and self-insured employers by the Longshore and Harbor Workers' Compensation Act Trust Fund and District of Columbia Workmen's Compensation Act Trust Fund were also included. Assessments are recognized as non-exchange revenues when earned.

- 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 or accrued on behalf of their employees. These reimbursements are recognized as other non-exchange revenue when earned.

3. Transfers without reimbursement

Transfers recognized as budgetary financing sources by DOL include transfers from the Department of Homeland Security H-1B Nonimmigrant Petitioner Account to H-1B Funds in ETA and ESA. Also included are transfers from the Longshore and Harbor Workers' Compensation Act Trust Fund for administrative costs and transfers from various DOL general fund unexpended appropriation accounts to the Working Capital Fund's cumulative results of operations. There are also transfers between DOL entities, primarily for the administration of the unemployment insurance program, Recovery Act appropriations for extended unemployment benefits and a one-time appropriation for restructuring of the Black Lung Disability Trust Fund debt. (See Note 17)

U. Other Financing Sources

Other financing sources include items that do not represent budgetary resources.

1. Imputed financing

A financing source is imputed by DOL to provide for pension and other retirement benefit expenses recognized by DOL but financed by OPM. (See Notes 1-P and Q)

2. Transfers without reimbursement

Transfers recognized as other financing sources by DOL include the transfers of property from the General Services Administration. (See Note 17)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. (See Notes 1-B and 20)

W. Significant Assumptions Used in the Statement of Social Insurance

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 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.

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. Prior to October 3, 2008, the Black Lung Benefits Revenue Act provided for repayable advances to the BLDTF from the General Fund of the Treasury, in the event that BLDTF resources were not adequate to meet program obligations.

P.L. 110-343, Division B--Energy Improvement and Extension Act of 2008, enacted on October 3, 2008, in section 113, (1) allowed for the temporary increase in coal excise tax rates to continue an additional five years beyond the current statutory limit and (2) restructured the BLDTF debt by refinancing the outstanding high interest rate repayable advances with the proceeds from issuing low interest rate discounted debt instruments similar in form to zero-coupon bonds, plus a one-time appropriation. The Act also allowed that any debt issued by the BLDTF subsequent to the refinancing may be used to make benefit payments, other authorized expenditures, or to repay debt and interest from the initial refinancing. All debt issued by the BLDTF was effected as borrowing from the Bureau of Public Debt. (See Notes 1J and 8)

DOL changed the presentation of the statements of social insurance to remove estimated interest payments from the statements. DOL also revised its fiscal years 2005 through 2008 consolidated financial statements to conform to this fiscal year 2009 presentation. The change was made to reflect only the financial statement line items required by SFFAS 17, "Accounting for Social Insurance."

The significant assumptions used in the projections for the Statement of Social Insurance are the number of beneficiaries, life expectancy, coal excise tax revenue estimates, the tax rate structure, Federal civilian pay raises and medical cost inflation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

W. Significant Assumptions Used in the Statement of Social Insurance - Continued

The Office of Tax Analysis of the Department of the Treasury provides estimates of future receipts of the black lung excise tax. Its estimates are based on projections of future coal production and sale prices prepared by the Energy Information Agency of the Department of Energy. The Department of Treasury's Office of Tax Analysis provides the first eleven years of tax receipt estimates. The remaining years are estimated using a growth rate based on both historical tax receipts and the Department of Treasury's estimated tax receipts. The higher coal excise tax rate structure is $1.10 per ton of underground-mined coal and $0.55 per ton of surface-mined coal sold, with a cap of 4.4% of sales price. Based on Treasury's interpretation of the Act, the higher excise tax rates will continue until the earlier of December 31, 2018 or the first December 31 after 2008 in which there exist no (1) balance of repayable debt described in section 9501 of the Internal Revenue Code and (2) unpaid interest on the debt. Starting in 2019, the tax rates revert to $0.50 per ton of underground-mined coal and $0.25 per ton surface-mine coal sold, and a limit of 2.0% of sales price. Although section 9501 of the Internal Revenue Code uses the terminology "advance," the Treasury has interpreted this to mean any debt owed by the BLDTF to the Bureau of the Public Debt.

The beneficiary population data is updated from information supplied by the program. The beneficiary population is a nearly closed universe in which attrition by death exceeds new entrants by a ratio of more than ten to one. Projections for new participants are included in the overall projections and are considered immaterial. Social Security Administration life tables are used to project the life expectancies of the beneficiary population. The Office of Management and Budget supplies assumptions for future monthly benefit rate increases based on increases in the Federal pay scale and future medical cost inflation based on increases in the consumer price index-medical, which are used to calculate future benefit costs. During the current projection period, the future benefit rate increases 4.6% in 2010 and 3.6% in each year thereafter and medical cost increases 3.4% in 2010, and ranges from 3.3% to 3.8% thereafter. Estimates for administrative costs for the first 11 years of the projection are supplied by DOL's Budget Office, based on current year enacted amounts, while later years are based on the number of projected beneficiaries.

The projection period ends September 30, 2040, because the primary purpose of the BLDTF, which was established in 1978, is to compensate the victims of coal mine dust exposures which occurred prior to 1970. By the end of FY 2040, not only the disabled miners and their widows in that class, but also virtually all of their eligible dependent disabled adult children will be deceased. All of the current year projections are discounted using an interest rate of 4.25%. This rate is for Treasury loans to government agencies for loans up to 30 years. Thirty years is the maximum period for which Treasury publishes rates for loans to government agencies and approximates the projection period.

X. Tax Exempt Status

As an agency of the Federal government, the Department is exempt from all taxes imposed by any governing body whether it is a Federal, state, commonwealth, local, or foreign government.

Y. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury at September 30, 2009 consisted of the following:

(Dollars in thousands)	Entity Assets: Unobligated Balance Available	Entity Assets: Unobligated Balance Unavailable	Entity Assets: Obligated Balance Not Yet Disbursed	Entity Assets: Total Entity Assets	Non-entity Assets	Total
Revolving funds	$ 16,351	$ -	$ 61,785	$ 78,136	$ -	$ 78,136
Trust funds	2,340,232	-	(298,848)	2,041,384	(687)	2,040,697
General funds	2,742,223	637,147	8,902,843	12,282,213	-	12,282,213
Other	-	-	-	-	5,705	5,705
	$ 5,098,806	$ 637,147	$ 8,665,780	$ 14,401,733	$ 5,018	$ 14,406,751

Funds with U.S. Treasury at September 30, 2008 consisted of the following:

(Dollars in thousands)	Entity Assets: Unobligated Balance Available	Entity Assets: Unobligated Balance Unavailable	Entity Assets: Obligated Balance Not Yet Disbursed	Entity Assets: Total Entity Assets	Non-entity Assets	Total
Revolving funds	$ 13,388	$ -	$ 45,518	$ 58,906	$ -	$ 58,906
Trust funds	192,605	-	(285,620)	(93,015)	(503)	(93,518)
General funds	2,489,715	1,340,149	5,555,362	9,385,226	-	9,385,226
Other	-	-	-	-	78,316	78,316
	$ 2,695,708	$ 1,340,149	$ 5,315,260	$ 9,351,117	$ 77,813	$ 9,428,930

The negative fund balances reported as of September 30, 2009 and 2008 relate to the Unemployment Trust Fund (UTF) and are the result of the timing of processing the investments and redemptions of UTF. The investments and redemptions relating to the last business day of the month are not processed until the first day of the next month. This could result in a negative cash position for the preceding business day if the disbursements are greater than the receipts to the fund.

Unobligated Balance Available at September 30, 2009 includes $558 million of funds apportioned for use in the subsequent year.

NOTE 3 - INVESTMENTS

Investments at September 30, 2009 consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Interest Receivable	Net Value	Market Value
Unemployment Trust Fund					
Non-marketable					
Special issue U.S. Treasury Bonds					
3.250% maturing June 30, 2010	$ 334,382	$ -	$ 32	$ 334,414	$ 334,382
4.500% maturing June 30, 2011	19,293,800	-	217,055	19,510,855	19,293,800
	19,628,182	-	217,087	19,845,269	19,628,182
Panama Canal Commission Compensation Fund					
Marketable					
U.S. Treasury Notes					
3.500% to 4.625% various maturities	66,664	44	1,103	67,811	67,268
U.S. Treasury Bonds					
11.750% to be called November 15, 2009	5,163	52	228	5,443	5,234
	71,827	96	1,331	73,254	72,502
Energy Employees Occupational Illness Compensation Fund					
Non-marketable					
One Day Certificate					
0.070% maturing October 1, 2009	192,823	-	-	192,823	192,823
	$ 19,892,832	$ 96	$ 218,418	$ 20,111,346	$ 19,893,507
Entity investments	$ 19,856,989	$ 96	$ 218,022	$ 20,075,107	$ 19,857,665
Non-entity investments	35,843	-	396	36,239	35,842
	$ 19,892,832	$ 96	$ 218,418	$ 20,111,346	$ 19,893,507

NOTE 3 - INVESTMENTS - Continued

Investments at September 30, 2008 consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Interest Receivable	Net Value	Market Value
Unemployment Trust Fund					
Non-marketable					
Special issue U.S. Treasury Bonds					
4.875% maturing June 30, 2009	$ 3,304,955	$ -	$ 40,279	$ 3,345,234	$ 3,304,955
5.000% maturing June 30, 2009	11,000,000	-	137,500	11,137,500	11,000,000
5.000% maturing June 30, 2010	24,855,747	-	310,697	25,166,444	24,855,747
4.500% maturing June 30, 2010	5,000,000	-	56,250	5,056,250	5,000,000
4.500% maturing June 30, 2011	28,271,737	-	318,057	28,589,794	28,271,737
	72,432,439	-	862,783	73,295,222	72,432,439
Panama Canal Commission Compensation Fund					
Marketable					
U.S. Treasury Notes					
3.500% to 4.750% various maturities	70,089	5	1,166	71,260	71,247
U.S. Treasury Bonds					
11.750% various maturities	5,163	472	228	5,863	5,729
	75,252	477	1,394	77,123	76,976
Longshore and Harbor Workers' Compensation Act Trust Fund					
Non-marketable					
One Day Certificate					
0.330% maturing October 1, 2008	61,905	-	-	61,905	61,905
District of Columbia Workmen's Compensation Act Trust Fund					
Non-marketable					
One Day Certificate					
0.330% maturing October 1, 2008	5,160	-	-	5,160	5,160
Energy Employees Occupational Illness Compensation Fund					
Non-marketable					
One Day Certificate					
0.330% maturing October 1, 2008	125,265	-	-	125,265	125,265
	$ 72,700,021	$ 477	$ 864,177	$ 73,564,675	$ 72,701,745
Entity investments	$ 72,590,369	$ 477	$ 862,871	$ 73,453,717	$ 72,592,093
Non-entity investments	109,652	-	1,306	110,958	109,652
	$ 72,700,021	$ 477	$ 864,177	$ 73,564,675	$ 72,701,745

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable at September 30, 2009 consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 474,770	$ -	$ 474,770
Due for workers' compensation benefits	4,982,929	-	4,982,929
Other	9,798	-	9,798
	5,467,497	-	5,467,497
Entity assets			
State unemployment taxes	945,324	(682,354)	262,970
Due from reimbursable employers	733,404	(46,191)	687,213
Benefit overpayments	1,989,258	(1,640,575)	348,683
Other	5,247	(841)	4,406
	3,673,233	(2,369,961)	1,303,272
Non-entity assets			
Fines and penalties	91,143	(40,574)	50,569
	3,764,376	(2,410,535)	1,353,841
	$ 9,231,873	$ (2,410,535)	$ 6,821,338

Accounts receivable at September 30, 2008 consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 292,833	$ -	$ 292,833
Due for workers' compensation benefits	3,771,775	-	3,771,775
Other	12,269	-	12,269
	4,076,877	-	4,076,877
Entity assets			
State unemployment taxes	823,667	(639,682)	183,985
Due from reimbursable employers	502,342	(28,540)	473,802
Benefit overpayments	1,935,897	(1,678,795)	257,102
Other	13,126	(2,127)	10,999
	3,275,032	(2,349,144)	925,888
Non-entity assets			
Fines and penalties	76,778	(32,605)	44,173
Backwages	16,785	(10,418)	6,367
	93,563	(43,023)	50,540
	3,368,595	(2,392,167)	976,428
	$ 7,445,472	$ (2,392,167)	$ 5,053,305

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

Property, plant and equipment at September 30, 2009 consisted of the following:

(Dollars in thousands)	2009 Cost	2009 Accumulated Depreciation/ Amortization	2009 Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 1,111,949	$ (468,889)	$ 643,060
Improvements to leased facilities	420,863	(244,674)	176,189
	1,532,812	(713,563)	819,249
Furniture and equipment			
Equipment held by contractors	170,681	(162,628)	8,053
Furniture and equipment	33,248	(22,614)	10,634
	203,929	(185,242)	18,687
Internal use software	196,561	(73,408)	123,153
Construction-in-progress	97,377	-	97,377
Land	95,774	-	95,774
	$ 2,126,453	$ (972,213)	$ 1,154,240

Property, plant and equipment at September 30, 2008 consisted of the following:

(Dollars in thousands)	2008 Cost	2008 Accumulated Depreciation/ Amortization	2008 Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 1,067,982	$ (437,047)	$ 630,935
Improvements to leased facilities	423,580	(233,798)	189,782
	1,491,562	(670,845)	820,717
Furniture and equipment			
Equipment held by contractors	166,504	(159,612)	6,892
Furniture and equipment	51,777	(36,132)	15,645
	218,281	(195,744)	22,537
Internal use software	206,369	(92,110)	114,259
Construction-in-progress	90,233	-	90,233
Land	93,253	-	93,253
	$ 2,099,698	$ (958,699)	$ 1,140,999

NOTE 6 - ADVANCES

Advances at September 30, 2009 and 2008 consisted of the following:

(Dollars in thousands)	2009	2008
Advances to states for UI benefit payments	$ 1,583,858	$ 706,556
Advances to grantees and contractors to finance future DOL program expenditures	16,298	35,947
Other	90,942	13,907
	$ 1,691,098	$ 756,410

NOTE 7 - NON-ENTITY ASSETS

Non-entity assets consisted of the following at September 30, 2009 and 2008:

(Dollars in thousands)	2009	2008
Intra-governmental		
Funds with U.S. Treasury	$ 5,018	$ 77,813
Investments	36,239	110,958
	41,257	188,771
Accounts receivable, net of allowance	50,569	50,540
	$ 91,826	$ 239,311

NOTE 8 - DEBT

DOL's debt during 2009 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2008	Refinancing	Net Borrowing	Balance at September 30, 2009
Intra-governmental				
Debt to Treasury				
Black Lung Disability Trust Fund				
Advances from U.S. Treasury	$ 10,483,557	$ (10,483,557)	$ -	$ -
Borrowing from U.S. Treasury	-	6,495,717	(125,137)	6,370,580
Unemployment Trust Fund				
Advances from U.S. Treasury	-	-	7,981,387	7,981,387
	$ 10,483,557	$ (3,987,840)	$ 7,856,250	$ 14,351,967

DOL's debt during 2008 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2007	Refinancing	Net Borrowing	Balance at September 30, 2008
Intra-governmental				
Debt to Treasury				
Black Lung Disability Trust Fund				
Advances from U.S. Treasury	$ 10,057,557	$ -	$ 426,000	$ 10,483,557

NOTE 8 - DEBT - Continued

Refinancing includes the replacement of high interest rate Advances from U.S. Treasury with borrowings in the form of discounted instruments, similar to zero coupon bonds. Net borrowing includes capitalized interest of $212,335 and repaid debt of $337,472 for the Black Lung Disability Trust fund and new advances of $7,950,000 and accrued interest of $31,387 for the Unemployment Trust Fund. (See Note 1-J)

NOTE 9 - OTHER LIABILITIES

Other liabilities at September 30, 2009 and 2008 consisted of the following current liabilities:

(Dollars in thousands)	2009	2008
Intra-governmental		
Accrued payroll benefits	$ 15,222	$ 13,055
Unearned FECA assessments	18	52,724
Non-entity receivables due to U.S. Treasury	50,332	42,803
Amounts held for the Railroad Retirement Board	35,552	110,455
Advances from other Federal agencies	300	300
Total intra-governmental	101,424	219,337
Accrued payroll and benefits	69,124	59,043
Due to Backwage recipients	-	84,925
Unearned assessment revenue	-	41,217
Deposit and clearing accounts	5,944	1,127
Readjustment allowances and other Job Corps liabilities	75,374	54,537
	150,442	240,849
	$ 251,866	$ 460,186

NOTE 10 - ACCRUED BENEFITS

Accrued benefits at September 30, 2009 and 2008 consisted of the following:

(Dollars in thousands)	2009	2008
State regular and extended unemployment benefits payable	$ 1,775,266	$ 966,415
Federal extended unemployment benefits payable	520,503	39,144
Federal emergency unemployment benefits payable, 2008	1,230,920	324,534
Federal emergency unemployment benefits payable, other	69,505	70,710
Federal employees' unemployment benefits payable	28,104	25,431
Federal employees' unemployment benefits for existing claims due in the subsequent year	614,451	202,759
Federal additional unemployment benefits payable	231,361	-
Total unemployment benefits payable	4,470,110	1,628,993
Black lung disability benefits payable	36,017	40,003
Federal employees' disability and 10(h) benefits payable	90,017	76,952
Energy employees occupational illness compensation benefits payable	31,106	24,712
Longshore and harbor workers disability benefits payable	-	4,571
District of Columbia disability benefits payable	-	345
	$ 4,627,250	$ 1,775,576

NOTE 11 - FUTURE WORKERS' COMPENSATION BENEFITS

DOL's liability for future workers' compensation benefits at September 30, 2009 and 2008 consisted of the following:

(Dollars in thousands)	2009	2008
Projected gross liability of the Federal government for future FECA benefits	$ 26,953,702	$ 27,589,632
Less liabilities attributed to other agencies:		
U.S. Postal Service	(9,507,251)	(9,543,798)
Department of Navy	(2,425,587)	(2,685,911)
Department of Army	(1,790,270)	(1,980,257)
Department of Veterans Affairs	(1,734,929)	(1,905,472)
Department of Air Force	(1,286,935)	(1,395,449)
Department of Transportation	(970,738)	(985,336)
Department of Homeland Security	(1,826,221)	(1,795,351)
Tennessee Valley Authority	(505,491)	(532,499)
Department of Treasury	(525,430)	(593,196)
Department of Agriculture	(845,995)	(832,013)
Department of Justice	(1,233,899)	(1,136,570)
Department of Interior	(697,210)	(692,389)
Department of Defense, Other	(815,854)	(800,883)
Department of Health and Human Services	(253,312)	(282,517)
Social Security Administration	(310,636)	(297,932)
General Services Administration	(135,953)	(163,826)
Department of Commerce	(171,187)	(169,580)
Department of Energy	(95,897)	(104,734)
Department of State	(71,621)	(68,892)
Department of Housing and Urban Development	(69,058)	(84,529)
Department of Education	(16,199)	(16,554)
National Aeronautics and Space Administration	(56,912)	(63,977)
Environmental Protection Agency	(44,122)	(44,615)
Small Business Administration	(29,640)	(27,061)
Office of Personnel Management	(21,695)	(22,139)
National Science Foundation	(1,319)	(1,198)
Nuclear Regulatory Commission	(7,628)	(7,059)
Agency for International Development	(26,885)	(23,137)
Other	(586,569)	(569,922)
	(26,064,443)	(26,826,796)
	$ 889,259	$ 762,836
Projected liability of the Department of Labor for future FECA benefits		
FECA benefits not chargeable to other Federal agencies payable by DOL's Federal Employees' Compensation Act Special Benefit Fund	$ 616,541	$ 473,892
FECA benefits due to eligible workers of DOL and Job Corps enrollees	216,793	235,382
FECA benefits due to eligible workers of the Panama Canal Commission	55,925	53,562
	$ 889,259	$ 762,836

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NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources at September 30, 2009 and 2008 consisted of the following:

(Dollars in thousands)	2009	2008
Intra-governmental		
Debt	$ 14,320,580	$ 10,483,557
Accrued benefits	515,593	-
Future workers' compensation benefits	296,339	231,965
Accrued annual leave	99,737	105,763
Readjustment allowances and other Job Corps liabilities	74,699	54,537
	986,368	392,265
	$ 15,306,948	$ 10,875,822

NOTE 13 - CONTINGENCIES

The Department is involved in various lawsuits incidental to its operations. Judgments resulting from litigation against the Department are generally paid by the Department of Justice. In the opinion of management, the ultimate resolution of pending litigation will not have a material effect on the Department's financial position.

NOTE 14 - PENSION EXPENSE

Pension expense in 2009 consisted of the following:

(Dollars in thousands)	Employer Contributions	Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 21,938	$ 36,392	$ 58,330
Federal Employees' Retirement System	110,402	2,849	113,251
Thrift Savings Plan	41,613	-	41,613
	$ 173,953	$ 39,241	$ 213,194

Pension expense in 2008 consisted of the following:

(Dollars in thousands)	Employer Contributions	Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 22,251	$ 36,925	$ 59,176
Federal Employees' Retirement System	103,805	-	103,805
Thrift Savings Plan	39,286	-	39,286
	$ 165,342	$ 36,925	$ 202,267

NOTE 15 - 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 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 - PROGRAM COST - Continued

A. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2009 consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Office of Job Corps	Occupational Safety and Health Administration
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 208,566	$ 2,843,904	$ -	$ -
With the public	125,688,846	4,624,270	-	-
Gross cost	125,897,412	7,468,174	-	-
Intra-governmental earned revenue	(1,015,214)	(2,787,375)	-	-
Public earned revenue	-	-	-	-
Less earned revenue	(1,015,214)	(2,787,375)	-	-
Net program cost	124,882,198	4,680,799	-	-
Employment and training				
Intra-governmental	42,936	-	17,029	-
With the public	5,451,065	-	1,480,441	-
Gross cost	5,494,001	-	1,497,470	-
Intra-governmental earned revenue	(11,611)	-	-	-
Public earned revenue	-	-	(378)	-
Less earned revenue	(11,611)	-	(378)	-
Net program cost	5,482,390	-	1,497,092	-
Labor, employment and pension standards				
Intra-governmental	-	119,662	-	-
With the public	-	259,890	-	-
Gross cost	-	379,552	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	379,552	-	-
Worker safety and health				
Intra-governmental	-	-	-	125,474
With the public	-	-	-	417,460
Gross cost	-	-	-	542,934
Intra-governmental earned revenue	-	-	-	(16)
Public earned revenue	-	-	-	(1,370)
Less earned revenue	-	-	-	(1,386)
Net program cost	-	-	-	541,548
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	-
With the public	-	-	-	-
Gross cost	-	-	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 130,364,588	$ 5,060,351	$ 1,497,092	$ 541,548

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
$ -	$ -	$ -	$ -	$ 1,428	$ (42,542)	$ 3,011,356
-	-	-	-	6,874	20,036	130,340,026
-	-	-	-	8,302	(22,506)	133,351,382
-	-	-	-	-	22,506	(3,780,083)
-	-	-	-	-	-	-
-	-	-	-	-	22,506	(3,780,083)
-	-	-	-	8,302	-	129,571,299
-	-	-	9,729	435	(21,845)	48,284
-	-	-	203,816	745	21,295	7,157,362
-	-	-	213,545	1,180	(550)	7,205,646
-	-	-	-	-	550	(11,061)
-	-	-	-	-	-	(378)
-	-	-	-	-	550	(11,439)
-	-	-	213,545	1,180	-	7,194,207
-	-	56,438	971	15,527	(45,911)	146,687
-	-	131,108	19,521	117,719	45,911	574,149
-	-	187,546	20,492	133,246	-	720,836
-	-	(12,526)	-	(983)	-	(13,509)
-	-	(8)	-	-	-	(8)
-	-	(12,534)	-	(983)	-	(13,517)
-	-	175,012	20,492	132,263	-	707,319
-	128,686	-	-	4,459	(59,951)	198,668
-	260,774	-	-	6,955	59,951	745,140
-	389,460	-	-	11,414	-	943,808
-	-	-	-	-	-	(16)
-	(1,364)	-	-	-	-	(2,734)
-	(1,364)	-	-	-	-	(2,750)
-	388,096	-	-	11,414	-	941,058
205,484	-	-	-	12,818	(23,969)	194,333
391,100	-	-	-	19,997	23,969	435,066
596,584	-	-	-	32,815	-	629,399
(5)	-	-	-	-	-	(5)
(8,316)	-	-	-	-	-	(8,316)
(8,321)	-	-	-	-	-	(8,321)
588,263	-	-	-	32,815	-	621,078
-	-	-	-	99,536	(2,759)	96,777
-	-	-	-	(16,006)	2,759	(13,247)
-	-	-	-	83,530	-	83,530
$ 588,263	$ 388,096	$ 175,012	$ 234,037	$ 269,504	$ -	$ 139,118,491

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 15 - 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, 2009 consisted of the following:

(Dollars in thousands)	Employment Security	Training and Employment Programs	Eliminations	Total
CROSSCUTTING PROGRAMS				
Income maintenance				
Benefits	$ 120,912,065	$ 82	$ -	$ 120,912,147
Grants	4,475,166	-	-	4,475,166
Interest	34,228	-	-	34,228
Administrative and other	475,472	399	-	475,871
Gross cost	125,896,931	481	-	125,897,412
Less earned revenue	(1,015,214)	-	-	(1,015,214)
Net program cost	124,881,717	481	-	124,882,198
Employment and training				
Benefits	-	10,045	-	10,045
Grants	1,747	5,289,212	-	5,290,959
Administrative and other	-	192,997	-	192,997
Gross cost	1,747	5,492,254	-	5,494,001
Less earned revenue	-	(11,611)	-	(11,611)
Net program cost	1,747	5,480,643	-	5,482,390
Net cost of operations	$ 124,883,464	$ 5,481,124	$ -	$ 130,364,588

NOTE 15 - 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, 2009 consisted of the following:

(Dollars in thousands)	Office of Workers' Compensation Programs	Office of Federal Contract Compliance	Wage and Hour Division	Office of Labor Management Standards	Eliminations	Total
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	$ 4,398,133	$ -	$ -	$ -	$ (2,071)	$ 4,396,062
Interest	231,292	-	-	-	-	231,292
Loss on debt refinancing	2,495,660	-	-	-	-	2,495,660
Administrative and other	345,160	-	-	-	-	345,160
Gross cost	7,470,245	-	-	-	(2,071)	7,468,174
Less earned revenue	(2,789,446)	-	-	-	2,071	(2,787,375)
Net program cost	4,680,799	-	-	-	-	4,680,799
Labor, employment and pension standards						
Benefits	-	11,198	25,740	7,280	-	44,218
Administrative and other	-	87,040	202,363	45,931	-	335,334
Gross cost	-	98,238	228,103	53,211	-	379,552
Less earned revenue	-	-	-	-	-	-
Net program cost	-	98,238	228,103	53,211	-	379,552
Net cost of operations	$ 4,680,799	$ 98,238	$ 228,103	$ 53,211	$ -	$ 5,060,351

Schedules D, E and F present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 15 - PROGRAM COST - Continued

D. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2008 consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Office of Job Corps	Occupational Safety and Health Administration
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 224,744	$ 901,873	$ -	$ -
With the public	47,143,092	5,387,831	-	-
Gross cost	47,367,836	6,289,704	-	-
Intra-governmental earned revenue	(728,874)	(2,658,557)	-	-
Public earned revenue	-	-	-	-
Less earned revenue	(728,874)	(2,658,557)	-	-
Net program cost	46,638,962	3,631,147	-	-
Employment and training				
Intra-governmental	40,395	-	9,493	-
With the public	4,634,551	-	808,342	-
Gross cost	4,674,946	-	817,835	-
Intra-governmental earned revenue	(11,569)	-	(47)	-
Public earned revenue	(245)	-	(323)	-
Less earned revenue	(11,814)	-	(370)	-
Net program cost	4,663,132	-	817,465	-
Labor, employment and pension standards				
Intra-governmental	-	122,364	-	-
With the public	-	257,241	-	-
Gross cost	-	379,605	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	(1,000)	-	-
Less earned revenue	-	(1,000)	-	-
Net program cost	-	378,605	-	-
Worker safety and health				
Intra-governmental	-	-	-	121,944
With the public	-	-	-	416,170
Gross cost	-	-	-	538,114
Intra-governmental earned revenue	-	-	-	(264)
Public earned revenue	-	-	-	(1,321)
Less earned revenue	-	-	-	(1,585)
Net program cost	-	-	-	536,529
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	-
With the public	-	-	-	-
Gross cost	-	-	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 51,302,094	$ 4,009,752	$ 817,465	$ 536,529

	Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
	$ -	$ -	$ 11,693	$ -	$ 1,400	$ (87,352)	$ 1,052,358
	-	-	23,254	-	8,370	65,865	52,628,412
	-	-	34,947	-	9,770	(21,487)	53,680,770
	-	-	-	-	-	21,487	(3,365,944)
	-	-	-	-	-	-	-
	-	-	-	-	-	21,487	(3,365,944)
	-	-	34,947	-	9,770	-	50,314,826
	-	-	-	10,262	427	(17,698)	42,879
	-	-	-	199,760	745	17,698	5,661,096
	-	-	-	210,022	1,172	-	5,703,975
	-	-	-	-	-	-	(11,616)
	-	-	-	-	-	-	(568)
	-	-	-	-	-	-	(12,184)
	-	-	-	210,022	1,172	-	5,691,791
	-	-	44,430	1,023	15,787	(54,113)	129,491
	-	-	111,589	19,047	122,560	54,113	564,550
	-	-	156,019	20,070	138,347	-	694,041
	-	-	(12,097)	-	(100)	-	(12,197)
	-	-	(30)	-	(13)	-	(1,043)
	-	-	(12,127)	-	(113)	-	(13,240)
	-	-	143,892	20,070	138,234	-	680,801
	-	115,333	-	-	4,164	(58,425)	183,016
	-	256,221	-	-	6,731	58,425	737,547
	-	371,554	-	-	10,895	-	920,563
	-	(5)	-	-	-	-	(269)
	-	(1,247)	-	-	-	-	(2,568)
	-	(1,252)	-	-	-	-	(2,837)
	-	370,302	-	-	10,895	-	917,726
	204,912	-	-	-	11,973	(24,270)	192,615
	374,813	-	-	-	19,351	24,270	418,434
	579,725	-	-	-	31,324	-	611,049
	(1)	-	-	-	-	-	(1)
	(5,274)	-	-	-	-	-	(5,274)
	(5,275)	-	-	-	-	-	(5,275)
	574,450	-	-	-	31,324	-	605,774
	-	-	-	-	115,823	(3,911)	111,912
	-	-	-	-	(19,747)	3,911	(15,836)
	-	-	-	-	96,076	-	96,076
	$ 574,450	$ 370,302	$ 178,839	$ 230,092	$ 287,471	$ -	$ 58,306,994

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 15 - PROGRAM COST - Continued

E. Consolidating Statement of Net Cost - Employment and Training Administration

Net cost of the Employment and Training Administration for the year ended September 30, 2008 consisted of the following:

(Dollars in thousands)	Employment Security	Training and Employment Programs	Office of Job Corps	Eliminations	Total
CROSSCUTTING PROGRAMS					
Income maintenance					
Benefits	$ 42,543,343	$ 91	$ -	$ -	$ 42,543,434
Grants	4,301,250	-	-	-	4,301,250
Interest	3,519	-	-	-	3,519
Administrative and other	519,222	41,411	-	(41,000)	519,633
Gross cost	47,367,334	41,502	-	(41,000)	47,367,836
Less earned revenue	(769,874)	-	-	41,000	(728,874)
Net program cost	46,597,460	41,502	-	-	46,638,962
Employment and training					
Benefits	-	16,178	4,023	-	20,201
Grants	-	3,829,199	99,997	-	3,929,196
Administrative and other	-	295,410	430,139	-	725,549
Gross cost	-	4,140,787	534,159	-	4,674,946
Less earned revenue	-	(11,272)	(542)	-	(11,814)
Net program cost	-	4,129,515	533,617	-	4,663,132
Net cost of operations	$ 46,597,460	$ 4,171,017	$ 533,617	$ -	$ 51,302,094

NOTE 15 - PROGRAM COST - Continued

F. Consolidating Statement of Net Cost - Employment Standards Administration

Net cost of the Employment Standards Administration for the year ended September 30, 2008 consisted of the following:

(Dollars in thousands)	Office of Workers' Compensation Programs	Office of Federal Contract Compliance	Wage and Hour Division	Office of Labor Management Standards	Eliminations	Total
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	$ 5,170,202	$ -	$ -	$ -	$ (1,712)	$ 5,168,490
Interest	739,469	-	-	-	-	739,469
Administrative and other	381,745	-	-	-	-	381,745
Gross cost	6,291,416	-	-	-	(1,712)	6,289,704
Less earned revenue	(2,660,269)	-	-	-	1,712	(2,658,557)
Net program cost	3,631,147	-	-	-	-	3,631,147
Labor, employment and pension standards						
Benefits	-	12,575	27,903	7,986	-	48,464
Administrative and other	-	86,773	197,433	46,935	-	331,141
Gross cost	-	99,348	225,336	54,921	-	379,605
Less earned revenue	-	-	(1,000)	-	-	(1,000)
Net program cost	-	99,348	224,336	54,921	-	378,605
Net cost of operations	$ 3,631,147	$ 99,348	$ 224,336	$ 54,921	$ -	$ 4,009,752

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 16 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statement of Changes in Net Position in 2009 and 2008 consisted of the following:

(Dollars in thousands)	2009	2008
Employer taxes		
Unemployment Trust Fund		
Federal unemployment taxes	$ 6,658,309	$ 7,281,534
State unemployment taxes	28,651,188	30,373,647
	35,309,497	37,655,181
Black Lung Disability Trust Fund excise taxes	644,881	652,650
	35,954,378	38,307,831
Interest		
Unemployment Trust Fund	2,056,548	3,635,617
Longshore and Harbor Workers' Compensation Act Trust Fund	-	1,044
District of Columbia Workmen's Compensation Act Trust Fund	-	127
Panama Canal Commission Compensation Fund	1,976	3,108
Energy Employees Occupational Illness Compensation Fund	187	4,252
Black Lung Disability Trust Fund	1,283	551
	2,059,994	3,644,699
Assessments		
Longshore and Harbor Workers' Compensation Act Trust Fund	-	127,418
District of Columbia Workmen's Compensation Act Trust Fund	-	8,920
Other	779	489
	779	136,827
Reimbursement of unemployment benefits from state and local governments and non-profit organizations to the Unemployment Trust Fund	2,763,817	1,768,182
	$ 40,778,968	$ 43,857,539

NOTE 17 - TRANSFERS WITHOUT REIMBURSEMENT

Transfers from (to) other Federal agencies in 2009 and 2008 consisted of the following:

(Dollars in thousands)	2009	2008
Budgetary financing sources		
From H-1B Nonimmigrant Petitioner Account, Department of Homeland Security	$ 94,451	$ 86,779
From Longshore and Harbor Workers' Compensation Act Trust Fund	2,101	-
From DOL general fund unexpended appropriation accounts to the DOL Working Capital Fund	3,000	3,000
	99,552	89,779
Other financing sources		
From General Services Administration	2,803	3,191
	2,803	3,191
	$ 102,355	$ 92,970

The balance of $99,552 and $89,779 in budgetary financing sources for FY 2009 and 2008, respectively, reflects the elimination of intra-DOL transfers of $18,514,212 and $3,683,586.

NOTE 18 - STATUS OF BUDGETARY RESOURCES

A. Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Combined Statement of Budgetary Resources in 2009 and 2008 consisted of the following:

(Dollars in thousands)	2009	2008
Direct Obligations		
Category A	$ 4,269,886	$ 4,075,613
Category B	44,407,391	9,137,416
Exempt from apportionment	126,042,413	49,244,270
Total direct obligations	174,719,690	62,457,299
Reimbursable Obligations		
Category A	231,280	206,345
Category B	2,843,755	2,775,832
Total reimbursable obligations	3,075,035	2,982,177
	$ 177,794,725	$ 65,439,476

B. Permanent Indefinite Appropriations

DOL'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 Combined 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 Combined Statement of Budgetary Resources. Current year excess receipts are reported as temporarily not available pursuant to Public Law. 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 amounts 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, 2009 and 2008 reclassified from unobligated balances to UTF unavailable collections is presented on the following page.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 18 - STATUS OF BUDGETARY RESOURCES - Continued

C. Legal Arrangements Affecting Use of Unobligated Balances - Continued

(Dollars in millions)	2009	2008
Unemployment Trust Fund unavailable collections, beginning	$ 69,509	$ 72,448
Budget authority from current year appropriations and borrowing authority	66,556	43,852
Less obligations	(121,844)	(46,791)
Excess (deficiency) of budget authority over obligations	(55,288)	(2,939)
Unemployment Trust Fund unavailable collections, ending	$ 14,221	$ 69,509

D. Explanation of Differences between the Combined 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, 2009 has not been published as of the issue date of these financial statements. This document will be available in February 2010.

A reconciliation of budgetary resources, obligations incurred and net outlays, as presented in the Combined Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2008 is shown below.

(Dollars in millions)	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 69,597	$ 65,439	$ (741)	$ 57,498
Pension Benefit Guaranty Corporation reported separately	17,817	4,735	-	1,377
Distributed offsetting receipts	-	-	-	741
Expired accounts	(1,077)	(36)	-	-
Other	(24)	(16)	(36)	1
Budget of the United States Government	$ 86,313	$ 70,122	$ (777)	$ 59,617

E. Undelivered Orders

Undelivered orders at September 30, 2009 and 2008 were as follows.

(Dollars in thousands)	2009	2008
Undelivered orders	$ 12,169,557	$ 5,604,384

NOTE 18 - STATUS OF BUDGETARY RESOURCES - Continued

F. Appropriations Received

The Combined Statement of Budgetary Resources discloses appropriations received of $167,464 and $58,784 million for FY 2009 and 2008, respectively. Appropriations received on the Consolidated Statement of Changes in Net Position are $43,475 and $10,936 million for FY 2009 and 2008, respectively. The differences of $123,989 and $47,848 million primarily represent certain fiduciary and earmarked receipts recognized as exchange revenue or non-exchange revenue reported on the Consolidated Statement of Net Cost or the Consolidated Statement of Changes in Net Position, respectively, in the current or prior years. Detail of these differences is presented below.

(Dollars in millions)	2009	2008
Receipts recognized as revenue in current or prior years		
Unemployment Trust Fund	$ 113,894	$ 46,854
Black Lung Disability Trust Fund	7,177	671
Other earmarked funds	193	193
Fiduciary funds (Dedicated collections in 2008)	145	130
	121,409	47,848
Other		
Unemployment Trust Fund borrowing authoriy realized	(7,950)	-
Black Lung Disability Trust Fund redemption of debt	10,484	-
Other	46	-
	2,580	-
	$ 123,989	$ 47,848

G. Borrowing Authority

As of September 30, 2009, section 2 of P.L. 111-46 (123 Stat. 1970 dated August 7, 2009) granted borrowing authority for repayable advances and other debt in the amount of "such sums as may be necessary" to the following trust funds: (1) Unemployment Trust Fund for advances as authorized by sections 905(d) and 1203 of the Social Security Act and (2) Black Lung Disability Trust Fund (BLDTF) for advances as authorized by section 9501(c)(1) of the Internal Revenue Code. Although section 9501 of the Internal Revenue Code and section 2 of P.L. 111-46 both use the terminology "advance," the Treasury has interpreted this to mean any debt owed by the BLDTF to the Bureau of the Public Debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 19 - RECONCILIATION OF BUDGETARY RESOURCES OBLIGATED TO NET COST OF OPERATIONS

(Dollars in thousands)	2009	2008
Resources used to finance activities		
Budgetary resources obligated		
Obligations incurred	$ 177,794,725	$ 65,439,476
Recoveries of prior year obligations	(262,069)	(418,195)
Less spending authority from offsetting collections	(7,191,289)	(6,718,139)
Obligations, net of offsetting collections and recoveries	170,341,367	58,303,142
Other resources		
Imputed financing from costs absorbed by others	136,653	118,009
Transfers, net	2,803	3,191
Exchange revenue not in budget	(2,211,750)	(733,748)
Total resources used to finance activities	168,269,073	57,690,594
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	(5,825,269)	(139,399)
Resources that finance the acquisition of assets	(98,743)	(102,539)
Obligations of fiduciary funds	(140,736)	-
Transfers that do not effect the net cost of operations	(23,809,019)	-
Total resources used to finance items not part of the net cost of operations	(29,873,767)	(241,938)
Total resources used to finance the net cost of operations	138,395,306	57,448,656
Components of the net cost of operations that will not require or generate resources in the current period		
Components requiring or generating resources in other periods		
Increase (decrease) in annual leave liability	(4,196)	10,250
Increase in benefits liabilities	503,072	803,610
Other	233,161	(27,912)
Total	732,037	785,948
Components not requiring or generating resources		
Depreciation and amortization	76,038	66,248
Revaluation of assets and liabilities	656,595	483,119
Benefit overpayments	(741,485)	(476,977)
Total	(8,852)	72,390
Total components of the net cost of operations that will not require or generate resources in the current period	723,185	858,338
Net cost of operations	$ 139,118,491	$ 58,306,994

NOTE 20 - SOURCES AND DISPOSITIONS OF CUSTODIAL REVENUE

Custodial revenues in 2009 consisted of the following:

(Dollars in thousands)	Cash Collections	Less Refunds	Net Cash Collections and Transfers to U.S. Treasury General Fund	Increase (Decrease) in Amounts to be Collected and Transferred	Total Revenues
Civil monetary penalties					
OSHA	$ 65,418	$ (145)	$ 65,273	$ 6,077	$ 71,350
MSHA	63,527	(120)	63,407	954	64,361
EBSA	25,511	(475)	25,036	(203)	24,833
ESA	15,947	-	15,947	53	16,000
	170,403	(740)	169,663	6,881	176,544
ETA disallowed grant costs	5,479	-	5,479	648	6,127
Other	1,292	(4)	1,288	(1)	1,287
	$ 177,174	$ (744)	$ 176,430	$ 7,528	$ 183,958

Custodial revenues in 2008 consisted of the following:

(Dollars in thousands)	Cash Collections	Less Refunds	Net Cash Collections and Transfers to U.S. Treasury General Fund	Increase (Decrease) in Amounts to be Collected and Transferred	Total Revenues
Civil monetary penalties					
OSHA	$ 71,367	$ (182)	$ 71,185	$ 1,362	$ 72,547
MSHA	56,004	-	56,004	8,083	64,087
EBSA	25,776	-	25,776	(5,286)	20,490
ESA	27,442	-	27,442	(1,305)	26,137
	180,589	(182)	180,407	2,854	183,261
ETA disallowed grant costs	15,627	-	15,627	(19,392)	(3,765)
Other	1,209	-	1,209	(286)	923
	$ 197,425	$ (182)	$ 197,243	$ (16,824)	$ 180,419

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 21 - EARMARKED FUNDS

DOL is responsible for the operation of certain earmarked funds. Other earmarked funds include Gifts and Bequests, Panama Canal Commission Compensation Fund, and H-1B Funds. The financial position of the earmarked funds as of September 30, 2009 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ 1,988,130	$ 52,469	$ 344,578	$ 2,385,177
Investments	19,845,269	-	73,254	19,918,523
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	475,630	-	-	475,630
Total intra-governmental	22,309,029	52,469	417,832	22,779,330
Accounts receivable, net				
State unemployment tax	262,970	-	-	262,970
Due from reimbursable employers	687,213	-	-	687,213
Benefit overpayments	308,359	15,129	-	323,488
Other	-	-	2	2
Advances	1,510,624	-	-	1,510,624
Other	-	-	588	588
Total assets	$ 25,078,195	$ 67,598	$ 418,422	$ 25,564,215
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	$ 2,283,650	$ -	$ -	$ 2,283,650
Debt	7,981,387	6,370,580	-	14,351,967
Amounts held for the Railroad Retirement Board	35,552	-	-	35,552
Other	-	-	7,372	7,372
Total intra-governmental	10,300,589	6,370,580	7,372	16,678,541
Accounts payable	-	-	10,371	10,371
Future workers' compensation benefits	-	-	55,925	55,925
Accrued benefits	4,238,749	17,339	-	4,256,088
Other	-	-	624	624
Total liabilities	14,539,338	6,387,919	74,292	21,001,549
Net position				
Cumulative results of operations	10,538,857	(6,320,321)	344,130	4,562,666
Total liabilities and net position	$ 25,078,195	$ 67,598	$ 418,422	$ 25,564,215

NOTE 21 - EARMARKED FUNDS - Continued

The net results of operations of the earmarked funds for the year ended September 30, 2009 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Cost, net of earned revenues				
Benefits	$ (114,281,060)	$ (240,625)	$ (8,739)	$ (114,530,424)
Grants	-	-	(110,869)	(110,869)
Interest	(34,228)	(231,292)	-	(265,520)
Loss on debt refinancing	-	(2,495,660)	-	(2,495,660)
Administrative and other	(368,303)	(384)	(15,688)	(384,375)
	(114,683,591)	(2,967,961)	(135,296)	(117,786,848)
Earned revenue	1,004,431	-	-	1,004,431
	(113,679,160)	(2,967,961)	(135,296)	(116,782,417)
Net financing sources				
Taxes	35,309,497	644,881	-	35,954,378
Interest	2,056,548	1,283	1,976	2,059,807
Reimbursement of unemployment benefits	2,763,817	-	-	2,763,817
Imputed financing	-	-	170	170
Transfers-in				
Department of Homeland Security	-	-	94,451	94,451
DOL entities	17,273,663	6,497,989	-	23,771,652
Transfers-out				
DOL entities	(5,294,564)	(57,327)	-	(5,351,891)
	52,108,961	7,086,826	96,597	59,292,384
Net results of operations	(61,570,199)	4,118,865	(38,699)	(57,490,033)
Net position, beginning of period	72,109,056	(10,439,186)	382,829	62,052,699
Net position, end of period	$ 10,538,857	$ (6,320,321)	$ 344,130	$ 4,562,666

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 21 - EARMARKED FUNDS - Continued

The financial position of the earmarked funds as of September 30, 2008 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ (147,882)	$ 53,064	$ 381,801	$ 286,983
Investments	73,295,222	-	77,123	73,372,345
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	292,981	-	-	292,981
Total intra-governmental	73,440,321	53,064	458,924	73,952,309
Accounts receivable, net				
State unemployment tax	183,985	-	-	183,985
Due from reimbursable employers	473,802	-	-	473,802
Benefit overpayments	220,191	10,776	-	230,967
Other	-	-	2	2
Advances	706,556	-	-	706,556
Other	-	-	366	366
Total assets	$ 75,024,855	$ 63,840	$ 459,292	$ 75,547,987
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	$ 1,176,351	$ -	$ -	$ 1,176,351
Debt	-	10,483,557	-	10,483,557
Amounts held for the Railroad Retirement Board	110,455	-	-	110,455
Other	-	-	7,616	7,616
Total intra-governmental	1,286,806	10,483,557	7,616	11,777,979
Accounts payable	-	-	14,683	14,683
Future workers' compensation benefits	-	-	53,562	53,562
Accrued benefits	1,628,993	19,469	-	1,648,462
Other	-	-	602	602
Total liabilities	2,915,799	10,503,026	76,463	13,495,288
Net position				
Cumulative results of operations	72,109,056	(10,439,186)	382,829	62,052,699
Total liabilities and net position	$ 75,024,855	$ 63,840	$ 459,292	$ 75,547,987

NOTE 21 - EARMARKED FUNDS - Continued

The net results of operations of the earmarked funds for the year ended September 30, 2008 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Cost, net of earned revenues				
Benefits	$ (42,533,112)	$ (266,960)	$ (8,538)	$ (42,808,610)
Grants	-	-	(90,490)	(90,490)
Interest	(3,519)	(739,469)	-	(742,988)
Administrative and other	(414,822)	(376)	(21,769)	(436,967)
	(42,951,453)	(1,006,805)	(120,797)	(44,079,055)
Earned revenue	711,675	-	-	711,675
	(42,239,778)	(1,006,805)	(120,797)	(43,367,380)
Net financing sources				
Taxes	37,655,181	652,650	-	38,307,831
Interest	3,635,617	551	3,108	3,639,276
Reimbursement of unemployment benefits	1,768,182	-	-	1,768,182
Imputed financing	-	-	195	195
Transfers-in				
Department of Homeland Security	-	-	86,779	86,779
DOL entities	2,396	-	-	2,396
Transfers-out				
DOL entities	(3,714,880)	(57,881)	-	(3,772,761)
	39,346,496	595,320	90,082	40,031,898
Net results of operations	(2,893,282)	(411,485)	(30,715)	(3,335,482)
Net position, beginning of period	75,002,338	(10,027,701)	413,544	65,388,181
Net position, end of period	$ 72,109,056	$ (10,439,186)	$ 382,829	$ 62,052,699

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2009 and 2008

NOTE 22 - FIDUCIARY ACTIVITY

The Department has one deposit fund and two trust funds that fall under the definition of fiduciary activity promulgated by SFFAS 31, "Accounting for Fiduciary Activities" which the Department implemented effective October 1, 2008. The schedule of fiduciary activity for these funds for the year ended September 30, 2009 is shown below.

(Dollars in thousands)	Wage and Hour and Public Contracts Restitution Fund	Longshore and Harbor Workers' Compensation Act Trust Fund	District of Columbia Workmen's Compensation Act Trust Fund	Total Fiduciary Funds
Fiduciary activity				
Assessments	$ 37,941	$ 130,209	$ 10,730	$ 178,880
Investment earnings	-	44	4	48
Administrative and other expenses	-	(2,101)	-	(2,101)
Transfer of funds to Treasury	(9,783)	-	-	(9,783)
Disbursements to beneficiaries	(23,653)	(128,993)	(9,777)	(162,423)
Increase (decrease) in fiduciary net assets	4,505	(841)	957	4,621
Fiduciary net assets, beginning of year	81,942	27,245	3,023	112,210
Fiduciary net assets, end of year	$ 86,447	$ 26,404	$ 3,980	$ 116,831

The schedule of fiduciary net assets for these funds as of September 30, 2009 is shown below.

(Dollars in thousands)	Wage and Hour and Public Contracts Restitution Fund	Longshore and Harbor Workers' Compensation Act Trust Fund	District of Columbia Workmen's Compensation Act Trust Fund	Total Fiduciary Funds
Fiduciary assets				
Cash	$ 80,034	$ 2,085	$ 995	$ 83,114
Investments	-	58,969	5,228	64,197
Other assets	6,413	3,756	674	10,843
Less: liabilities	-	(38,406)	(2,917)	(41,323)
Total fiduciary net assets	$ 86,447	$ 26,404	$ 3,980	$ 116,831

Unqualified opinions were given on separate financial statements issued for the Longshore and Harbor Workers' Compensation Act Trust Fund and the District of Columbia Workmen's Compensation Act Trust Fund for FY 2008. These separate financial statements were presented in accordance with U.S. GAAP.

NOTE 23 - SUBSEQUENT EVENTS

The financial statements, notes, and required supplementary information do not reflect the effects of the subsequent events described below.

A. P.L. 111-92, the Worker, Homeownership, and Business Assistance Act of 2009

P.L. 111-92, the Worker, Homeownership, and Business Assistance Act of 2009, was enacted on November 6, 2009. The Act amended section 4002 of P.L. 110-252 (26 USC 3304 note), Supplemental Appropriations Act, 2008, to extend unemployment benefits to eligible recipients up to 14 additional weeks in all States and a total of up to 20 additional weeks in States with unemployment of 8.5 percent or greater. The Act also amended section 3301 of the Internal Revenue Code of 1986 to extend the 0.2 percent Federal Unemployment Tax Act (FUTA) surtax on covered employers through June 30, 2011. No benefits are payable for weeks of unemployment commencing before the date of enactment of the Act.

B. Employment Standards Administration

The Employment Standards Administration (ESA) was dissolved on November 8, 2009. The Wage and Hour Division (WHD), Office of Federal Contract Compliance Programs (OFCCP), Office of Workers' Compensation Programs (OWCP), and Office of Labor-Management Standards (OLMS) now report directly to the Office of the Secretary.

Required Supplementary Stewardship Information

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

STEWARDSHIP INVESTMENTS IN HUMAN CAPITAL

Stewardship investments are made by DOL on behalf of the nation, providing long-term benefits that cannot be measured in traditional financial reports. These investments are made for the general public, and are intended to maintain or increase national economic productive capacity. DOL's stewardship investments are in human capital, reported as employment and training expenses in DOL's net cost of operations. Within DOL, the **Employment and Training Administration** (ETA), the **Office of Job Corps** (OJC), and the **Veterans' Employment and Training Service** (VETS) administer training programs that invest in human capital.

Employment and Training Administration and the Office of Job Corps

In 2009, ETA incurred total net costs of $130.4 billion. The majority of ETA's total net costs consisted of unemployment benefit payments, which increased by over $80 billion in 2009. Also included in ETA's total net costs were investments in human capital of $4.7 billion, which provided services to over 6.7 million participants in 2009. These investments were made through job training programs authorized by the Workforce Investment Act of 1998 (WIA), Title V of the Older Americans Act, the Trade Act of 1974, as amended by the Trade Adjustment Assistance Reform Act of 2002, and the National Apprenticeship Act of 1937. The Office of Job Corps also invests in human capital through WIA job training programs. OJC's investment in human capital in 2009 was $1.6 billion. In February 2009, Congress enacted the American Recovery and Reinvestment Act (ARRA), which authorized additional funding for job training, to be distributed through these established training programs. The ETA and OJC job training programs under WIA are discussed below.

Workforce Investment Act Job Training Programs

- **Adult employment and training programs** – ETA awards grants to States and territories to design and operate training and employment assistance programs for disadvantaged adults, including public assistance recipients. ETA's 2009 investment in human capital through WIA adult programs was $878 million.

- **Dislocated worker employment and training programs** – ETA awards grants to States to provide reemployment services and retraining assistance to individuals dislocated from their employment. ETA awards non-competitive grants for unexpected economic impacts and emergency dislocations; and competitive grants from the national reserve account to build training capacity and to train workers through community and technical colleges. ETA's 2009 investment in human capital through WIA dislocated worker programs was $1,440 million.

- **Youth programs** – ETA awards grants to states to support program activities and services to prepare low-income youth for academic and employment success, including summer jobs, by linking academic and occupational learning with youth development activities. ETA's 2009 investment in human capital through WIA youth programs was $1,125 million.

- **Job Corps program** – OJC awards contracts to support a system of primarily residential centers offering basic education, training, work experience and other support, typically to economically disadvantaged youth. Large and small corporations and non-profit organizations manage and operate 94 Job Corps centers under these contractual arrangements. The remaining 28 centers are operated through interagency agreements between DOL and the U.S. Departments of Agriculture and Interior. In addition, 20 operators are contracted to provide outreach and admissions (OA) and career transition services (CTS). OJC's 2009 investment in human capital through the WIA Job Corps program was $1,640 million.

- **Reintegration of Ex-Offenders** – ETA supports programs to help individuals exiting prison make a successful transition to community life and long-term employment through the provision of mentoring and job training programs to promote the successful return of adult and juvenile ex-offenders into mainstream society. ETA's 2009 investment in human capital through ex-offender programs was $58 million.

- **National programs –** ETA's National programs provide employment and training services and support through WIA nationally administered activities, for segments of the population that have special disadvantages in the labor market, including grants to Indian tribes and other Native American governments or non-profit organizations, and to Migrant and Seasonal Farmworker service organizations, to provide training, work experience and employment-related services to eligible participants. ETA's 2009 investment in human capital through WIA National Programs was $206 million.

Title V of the Older Americans Act, as Amended

ETA also invests in human capital through its older worker program, authorized under Title V of the Older Americans Act, to benefit low income workers, age 55 and over. The Older Americans Act Amendments of 2006, reauthorized and provided important reforms to Title V's Community Service Employment for Older Americans Program, including an increase in the percentage of program funds available for skills training and related services.

- **Community Service Employment for Older Americans program (CSEOA) –** An employment and training program that provides part-time training through work experience in community service activities for low-income persons age 55 and older, who wish to remain in or re-enter the workforce, with the ultimate goal of moving the participants into unsubsidized employment. ETA's 2009 investment in human capital through the CSEOA program was $543 million.

Trade Act of 1974, as Amended

ETA makes investments in human capital through training programs authorized by the Trade Act of 1974, as amended by the Trade Adjustment Assistance Reform Act of 2002, which consolidated the Trade Adjustment Assistance (TAA) and the NAFTA Trade Adjustment Assistance programs into a single, enhanced TAA program.

- **Trade Adjustment Assistance programs –** TAA programs provide training, income support and related assistance to workers who have been adversely affected by foreign trade agreements. TAA benefit payments are classified as income maintenance program costs and are not included as investments in human capital. ETA's 2009 investment in trade adjustment assistance training programs was $286 million.

The National Apprenticeship Act

- The National Apprenticeship Act of 1937 established the foundation for development of the nation's skilled workforce through apprenticeship programs, which combine on-the-job learning with related technical instruction to teach workers the theoretical aspects of skilled occupations. Funding provides a national system for skilled and technical occupational training, which promotes apprentices, registers apprenticeship programs, certifies apprenticeship standards, and safeguards the welfare of apprentices. ETA's 2009 investment in apprenticeship programs was $25 million.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

Program Costs and Outputs

The cost of ETA and OJC investments in human capital, and the participants served by each, are shown in the chart below, for the five year period 2005 through 2009.

ETA And OJC Investments In Human Capital
Program Costs (in Millions and Participants Served (in Thousands)*
For The Five Year Period 2005 Through 2009

	2009		2008		2007		2006		2005	
Program	Costs	*Part. Served*	Costs	*Part. Served*	Costs	*Part. Served*	Costs	*Part. Served*	Costs	*Part. Served*
WIA										
Adult (1)	$878	*4,921.8*	$844	*2,828.7*	$ 896	*1,723.2*	$ 912	*1,052.6*	$ 906	*441.8*
Dislocated Worker (2)	1,440	*842.1*	1,307	*401.3*	1,409	*413.1*	1,543	*398.2*	1,472	*361.4*
Youth (3)	1,125	*438.9*	966	*250.7*	866	*248.9*	1,017	*272.9*	947	*390.8*
Job Corps	1,640	*60.9*	1,589	*63.4*	1,485	*64.8*	1,402	*61.0*	1,309	*61.9*
Ex-Offenders (4)	58	*9.8*	61	*14.2*	76	*15.7*	52	*11.5*	24	*6.8*
National Programs (5)	206	*35.0*	206	*44.7*	220	*44.0*	267	*42.1*	178	*54.7*
Title V										
CSEOA	543	*89.0*	479	*89.6*	444	*86.4*	432	*93.5*	426	*92.1*
Trade Act										
TAA Training	286	*105.0*	248	*82.1*	223	*79.2*	189	*84.2*	223	*95.8*
Apprenticeship Act										
Apprenticeship System	25	*301.6*	25	*385.7*	24	*309.5*	25	*237.9*	23	*196.2*
Other (6)	120	*Na*	108	*Na*	91	*Na*	99	*Na*	37	*Na*
TOTAL	$6,321	*6,804.1*	$5,833	*4,160.4*	$5,734	*2,984.8*	$5,938	*2,253.9*	$5,545	*1,701.5*

* Certain program costs were reclassified, beginning in 2005, due to changes in allocation methodologies adopted in 2009.
(1) Adult program increases in participants served, beginning in 2006, can be attributed to state reports that include self-service only participants and/or co-enrolled Wagner-Peyser participants.
(2) Dislocated Worker programs include Community Based Job Training Grant and National Emergency Grant costs and participants served. These programs account for the 2009 increases in participants served.
(3) Youth program participants served in 2009 include youth reported in Recovery Act monthly reports.
(4) Ex-Offender programs include the Prisoner Re-entry and Youthful Offender programs.
(5) National Programs include the Native American and Migrant and Seasonal Farmworker programs.
(6) Other includes training programs for highly skilled occupations funded through H1-B fees, and costs for lapsed programs.

Program Outcomes

The overall performance of ETA programs towards the achievement of DOL's strategic goals is discussed in the Performance Section of this report. Outcomes for training programs comprising ETA's investment in human capital are shown below for the most current year measured.

Strategic Goal 1 – A Prepared Workforce

- **Performance Goal 08.1B (Job Corps) – PY 2008**
  Improve educational achievements of Job Corps students and increase participation of Job Corps graduates in employment and education.

  This goal was not achieved. Job Corps did not reach the target for one of its three performance indicators.

- **Performance Goal 08.1C (WIA Youth) – PY 2008**
  Increase placements and educational attainments for youth served through the WIA Youth Program.

  This goal was achieved; ETA reached targets for all three performance indicators.

- **Performance Goal 09.1D (Apprenticeship) – FY 2009**
  Improve the registered apprenticeship system to meet the prospective training needs of business and workers.

  This goal was not achieved. ETA failed to reach the target for two performance indicators.

Strategic Goal 2 – A Competitive Workforce

- **Performance Goal 08.2A (WIA Adult) – PY 2008**
  Increase the employment, retention and earnings of individuals under the WIA Adult Program.

  This goal was achieved. ETA reached targets for all three performance indicators.

- **Performance Goal 08.2B (WIA Dislocated Workers) – PY 2008**
  Increase the employment, retention and earnings of individuals under the WIA Dislocated Worker Program.

  This goal was not achieved. ETA failed to reach the target for one of three performance indicators.

- **Performance Goal 08.2D (CSEOA) – PY 2008**
  Assist older workers enter growth industries through the Senior Community Service Employment Program.

  This goal was not achieved. ETA failed to reach targets in one of three performance indicators.

- **Performance Goal 09.2E (TAA) – FY 2009**
  Increase the employment, retention and earnings replacement of workers dislocated in important part because of trade and who receive trade adjustment assistance benefits.

  This goal was achieved.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

Veterans Employment and Training Service

The mission of the Veterans Employment and Training Service (VETS) is to provide veterans and transitioning service members with the resources and services to succeed in the 21st century workforce, maximizing employment opportunities, protecting employment rights, and meeting labor market demands with qualified veterans.

Program Activities

Jobs for Veterans State Grants

The Jobs for Veterans Act (JVA) of 2002, which allocates resources to the States through the Jobs for Veterans State grants program, supports the majority of VETS activities through three major VETS programs, as discussed below:

- **Disabled Veterans Outreach Program (DVOP) Specialist –** The DVOP, (38 U.S.C. 4103A), awards formula grants to State Workforce Agencies (SWAs) to support DVOP specialists providing intensive services to meet the employment needs of veterans, including counseling, assessment, lifelong learning skills and referral to training, particularly veterans with disabilities or those who recently separated from the military.

- **Local Veterans Employment Representative (LVER) –** The LVER, (38 U.S.C. 4104), provides grants to State Workforce Agencies (SWAs) for the appointment of LVER staff positions identified in Job Service local offices and One-Stop Career Centers, to enhance veterans' services and help them into productive employment.

- **Transition Assistance Program (TAP) –** TAP, (38 U.S.C. 4215 and 10 U.S.C. 1144), operates as a partnership between the Departments of Labor, Defense and Veterans Affairs. The program provides separating service members and their spouses or individuals retiring from military service with career counseling and training. TAP workshops are provided throughout the United States and overseas.

Federal Management

VETS Federal management activities provide programs and policies to meet the employment and training needs of veterans. The majority of resources are devoted to Uniformed Services Employment and Reemployment Rights and Veterans Preference Rights (USERRA**)** compliance and outreach. Activities, as discussed below:

- **Uniformed Services Employment and Reemployment Rights and Veterans Preference Rights** – The Uniformed Services Employment and Reemployment Rights Act (USERRA) of 1994 (38 U.S.C. Chapter 43) protects civilian job rights and benefits for veterans, members of the National Guard and Reserves. Veterans Preference for Federal Employment (38 U.S.C. 2021) promotes education of employers and employees on the employment rights of the individual veterans.

Homeless Veterans and Veterans' Workforce Investment Programs

- **Homeless Veterans Reintegration Project (HVRP)** – The HVRP (38 U.S.C. 2021) provides employment assistance to homeless veterans through competitive grants to States or other entities in both urban and rural areas to operate employment programs to reach out to homeless veterans and help them become employed.

- **Veterans' Workforce Investment Program (VWIP) -** The VWIP (38 U.S.C. 2913) provides competitive grants for training and retraining of veterans to create highly skilled employment opportunities for targeted veterans.

Program Costs and Outputs

The full cost of VETS programs is presented in the Statement of Net Costs. The costs of VETS investments in human capital, and the participants served by this investment, are presented below, by major program.

VETS Investments In Human Capital
Program Costs and Participants Served (in Thousands)
For The Five Year Period 2005 Through 2009

	2009		2008 (1)		2007		2006		2005	
Program	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***
DVOP	**$91,064**	***345.1***	**$86,844**	***363.8***	**$86,667**	***363.4***	**$86,153**	***398.1***	**$86,104**	***342.8***
LVER	**83,917**	***362.3***	**80,028**	***366.4***	**80,000**	***400.6***	**79,526**	***429.3***	**79,481**	***330.0***
TAP	**7,233**	***124.7***	**6,898**	***150.0***	**7,704**	***151.3***	**4,792**	***139.5***	**4,919**	***134.3***
USERRA	**10,075**	***107.9***	**9,100**	***93.0***	**9,170**	***70.8***	**8,819**	***109.9***	**9,123**	***126.9***
HVRP	**28,962**	***13.7***	**27,620**	***14.0***	**27,504**	***12.8***	**26,975**	***13.8***	**24,883**	***13.8***
VWIP	**8,023**	***3.6***	**7,651**	***3.3***	**7,667**	***3.6***	**9,123**	***3.8***	**7,966**	***4.3***
TOTAL	**$229,274**	***957.3***	**$218,141**	***990.5***	**$218,712**	***1,002.5***	**$215,388**	***1,094.4***	**$212,476**	***952.1***

(1) DVOP and LVER participants served in 2008 were restated, based on final reports for the period.

Program Outcomes

The performance of VETS programs towards the achievement of DOL's strategic goals is discussed in the Performance Section of this report. Outcomes for 2009 are summarized below:

Strategic Goal 1 – A Prepared Workforce

- **Performance Goal 08.1E (VETS) – PY 2008**
  Improve employment outcomes for veterans receiving One-Stop Career Center and veterans' program services.

  This goal was not achieved. VETS did not meet targets for all four performance indicators.

Strategic Goal 3 – Safe and Secure Workplaces

- **Performance Goal 09.3E (VETS) – FY 2009**
  Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment.

  This goal was not achieved. VETS fell short of their target for the performance indicator.

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

DEFERRED MAINTENANCE

The U.S. Department of Labor (DOL) maintains one hundred twenty-two (122) Job Corps centers located throughout the United States. Periodic maintenance is performed to keep these centers in acceptable condition, as determined by Job Corps management. Maintenance requirements are stratified by management into critical and non-critical projects. Critical maintenance involves life, safety, health, and environmental issues, as well as building code compliance deficiencies. Critical maintenance projects are funded and performed in the year they are identified. Non-critical maintenance projects are performed each year to the extent that funding constraints allow. Non-critical maintenance projects that cannot be funded when scheduled are deferred to a future period.

Condition Assessment Surveys

Condition assessment surveys are conducted every three years at each Job Corps center to determine the current condition of buildings and structures (constructed assets) and the estimated maintenance cost to correct deficiencies. Surveys conducted during years one and two of this three year cycle are updated annually to reflect maintenance performed, and rolled up with current assessments to provide a condition assessment for the entire Job Corps portfolio of constructed assets. Condition assessment surveys are based on methods and standards consistently applied, including:

- condition descriptions of facilities
- estimated costs of maintenance actions
- recommended maintenance schedules
- standardized condition codes

Asset Condition

Condition assessment surveys are used to estimate the current plant replacement value and deferred maintenance repair backlog for every constructed asset at each Job Corps center. Plant replacement value and repair backlog are used to calculate a Facilities Condition Index (FCI) for each building and structure. The chart below ranks each asset within one of five categories of asset condition, based on the assets FCI score, for the previous five year period.

Job Corps Center Constructed Assets
Ranking of Individual Asset Condition By FCI Scores(1)
For the Years Ended 2005 – 2009

		2009		2008		2007		2006(2)		2005(2)	
Asset Condition	***FCI Score***	No. of Assets	Asset %	No. of Assets	Asset %	No. of Assets	Asset %	No. of Assets	Asset %	No. of Assets	Asset %
Excellent	*90- 100%*	3,037	84.6	2,878	81.9	2,966	80.9	2,665	75.1	2,507	74.8
Good	*80- 89%*	290	8.1	311	8.9	338	9.2	433	12.2	412	12.3
Fair	*70- 79%*	95	2.6	115	3.3	126	3.4	145	4.1	151	4.5
Poor	*60- 69%*	71	2.0	89	2.5	98	2.7	135	3.8	120	3.6
Very Poor	*< 60%*	96	2.7	118	3.4	136	3.8	170	4.8	161	4.8
		3,589	100.0	3,511	100.0	3,664	100.0	3,548	100.0	3,351	100.0

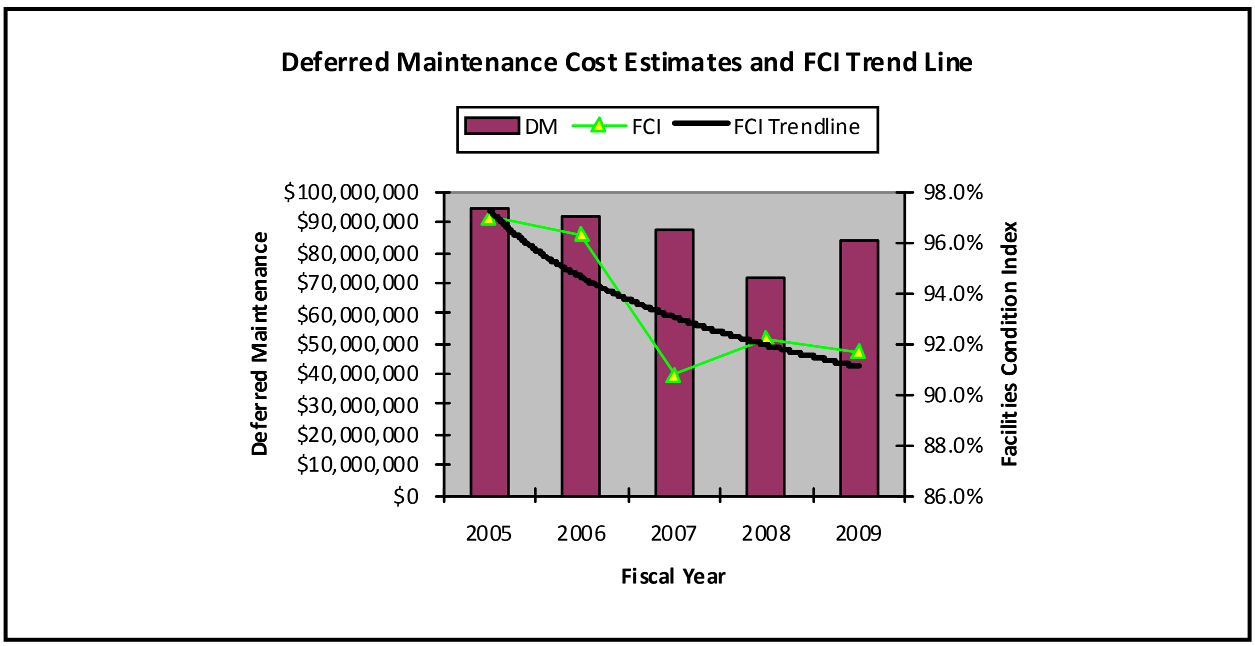
(1) FCI = 1 – (Repair Backlog / Plant Replacement Value). An FCI closer to 100 % indicates better asset condition.
(2) FCI scores for 2005-2006 were distributed based on modifications to the calculation of asset condition implemented in 2007.

Portfolio Condition and Deferred Maintenance Cost Estimates

The FCI assessments by building and structure are consolidated to calculate an FCI score for the entire portfolio of constructed assets, which is used to evaluate the overall asset condition of the Job Corps portfolio. Job Corps has set the goal of achieving and maintaining an FCI of 90% or greater (the standard used by the National Association of College and University Business Offices) for its portfolio of constructed assets. In 2009, the portfolio's aggregate FCI score for 3,589 constructed assets was 91.7%, and deferred maintenance costs to return the portfolio to an acceptable condition were estimated at $83.9 million, as shown in the table below. The final graph juxtaposes deferred maintenance cost estimates with the FCI trend line for the five year period ending in 2009.

Job Corps Center Constructed Assets
Portfolio Condition and Deferred Maintenance Cost Estimates at
September 30, 2005 - 2009

Constructed Assets - FY	Number of Constructed Assets	Portfolio Condition Based on Aggregate FCI Score	Deferred Maintenance Costs to Return Assets To Acceptable Condition
Buildings and structures - 2009	3,589	Excellent - 91.7%	$83,861,828
Buildings and structures - 2008	3,511	Excellent - 92.2%	$71,901,425
Buildings and structures - 2007	3,664	Excellent - 90.8%	$87,372,000
Buildings and structures - 2006	3,548	Excellent - 96.3%	$92,100,000
Buildings and structures - 2005	3,351	Excellent - 97.0%	$94,800,000



REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

SOCIAL INSURANCE PROGRAMS

The Federal Accounting Standards Advisory Board (FASAB) has classified certain government income transfer programs as social insurance programs. Recognizing that these programs have complex characteristics that do not fit traditional accounting models, the FASAB has developed accounting standards for social insurance programs which require the presentation of supplementary information to facilitate the assessment of the program's long-term sustainability.

The U.S. Department of Labor operates two programs classified under Federal accounting standards as social insurance programs, the Unemployment Insurance Program and the Black Lung Disability Benefits Program. Presented below is the supplementary information for the two programs.

Unemployment Insurance Program

The Unemployment Insurance (UI) Program was created in 1935 to provide income assistance to unemployed workers who lose their jobs through no fault of their own. The program protects workers during temporary periods of unemployment through the provision of unemployment compensation benefits. These benefits replace part of the unemployed worker's lost wages and, in so doing, stabilize the economy during recessionary periods by increasing the unemployed's purchasing power. The UI program operates counter cyclically, with benefits exceeding tax collections during recessionary periods and UI tax revenues exceeding benefit payments during periods of recovery.

Program Administration and Funding

The UI program is administered through a unique system of Federal-State partnerships, established in Federal law but executed through conforming State laws by State officials. The Federal government provides broad policy guidance and program direction through the oversight of the U.S. Department of Labor, while program details are established through individual State UI statutes, administered through State UI agencies.

Federal and State Unemployment Taxes

The UI program is financed through the collection of Federal and State unemployment taxes levied on subject employers and deposited in the Unemployment Trust Fund (UTF). The UTF was established to account for the receipt, investment and disbursement of unemployment taxes. Federal unemployment taxes are used to pay for the administrative costs of the UI program, including grants to each State to cover the costs of State UI operations and the Federal share of extended UI benefits. Federal unemployment taxes are also used to maintain a loan account within the UTF, from which insolvent States may borrow funds to pay UI benefits. State UI taxes are used exclusively for the payment of regular UI benefits, as well as the State's share of extended benefits.

Federal Unemployment Taxes

Under the provisions of the Federal Unemployment Tax Act (FUTA), a Federal tax is levied on covered employers, at a current rate of 6.2% of the first $7,000 in annual wages paid to each employee. This Federal tax rate is reduced by a credit of up to 5.4%, granted to employers paying State UI taxes under conforming State UI statutes. Accordingly, in conforming States, employers paid an effective Federal tax of 0.8% (0.6% starting January 1, 2009). Federal unemployment taxes are collected by the Internal Revenue Service.

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 American Recovery and Reinvestment Act of 2009 waived interest on advances to State accounts for the period February 17, 2009, through December 31, 2010. 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.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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.

The Federal Employees Compensation Account (FEC) was established pursuant to Section 909 of the Act. The FEC account provides funds to States for unemployment compensation benefits paid to eligible former Federal civilian personnel and ex-service members. Generally, benefits paid are reimbursed to the Federal Employees Compensation Account by the various Federal agencies. Any additional resources necessary to assure that the account can make the required payments to States, due to the timing of the benefit payments and subsequent reimbursements, will be provided by non-repayable advances from the general fund of the Treasury.

State Accounts

Separate State Accounts were established for each State and territory depositing monies into the Fund, in accordance with Section 904 of the Act. State unemployment taxes are deposited into these individual accounts and may be used only to pay State unemployment benefits. States may receive repayable advances from the FUA when their balances in the Fund are insufficient to pay benefits.

Railroad Retirement Accounts

The Railroad UI Account and Railroad UI Administrative Account were established under Section 904 of the Act to provide for a separate unemployment insurance program for railroad employees. This separate unemployment insurance program is administered by the Railroad Retirement Board, an agency independent of DOL. DOL is not responsible for the administrative oversight or solvency of the railroad unemployment insurance system. Receipts from taxes on railroad payrolls are deposited in the Railroad UI Account and the Railroad UI Administrative Account to meet benefit payment and related administrative expenses.

UI Program Benefits

The UI program provides regular and extended benefit payments to eligible unemployed workers. Regular UI program benefits are established under State law, payable for a period not to exceed a maximum duration. In 1970, Federal law began to require States to extend this maximum period of benefit duration by fifty percent during periods of high unemployment. These extended benefit payments are paid equally from Federal and State accounts.

Regular UI Benefits

There are no Federal standards regarding eligibility, amount or duration of regular UI benefits. Eligibility requirements, as well as benefit amounts and benefit duration are determined under State law. Under State laws, worker eligibility for benefits depends on experience in covered employment during a past base period, which attempts to measure the workers' recent attachment to the labor force. Three factors are common to State eligibility requirements: (1) a minimum duration of recent employment and earnings during a base period prior to unemployment, (2) unemployment not the fault of the unemployed, and (3) availability of the unemployed for work.

Benefit payment amounts under all State laws vary with the worker's base period wage history. Generally, States compute the amount of weekly UI benefits as a percentage of an individual's average weekly base period earnings, within certain minimum and maximum limits. Most States set the duration of UI benefits by the amount of earnings an individual has received during the base period. Currently, almost all States have established the maximum duration for regular UI benefits at 26 weeks. Regular UI benefits are paid by the State UI agencies from monies drawn down from the State's account within the Unemployment Trust Fund.

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. The American Recovery and Reinvestment Act of 2009 has provided for a temporary one hundred percent Federal funding of extended benefits.

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 began in July 2008, authorized under the Supplemental Appropriations Act, 2008. This emergency program has been temporarily extended and additionally funded by the Recovery Act. Before this fiscal year, emergency benefits were last authorized in 2002 under the Temporary Extended Unemployment Compensation Act. Payments in excess of $23 billion were paid under the program which ended in January 2005. Prior to that, emergency benefits were authorized in 1991 under the Emergency Unemployment Compensation Act. Emergency benefit payments in excess of $28 billion were paid over the three year period ended in 1994.

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, 2009, total assets within the UTF exceeded liabilities by $10.5 billion. This fund balance approximates the accumulated surplus of tax revenues and earnings on these revenues over benefit payment expenses and is available to finance benefit payments in future periods when tax revenues may be insufficient. Treasury invests this accumulated surplus in Federal securities. The net value of these securities, including interest receivable, at September 30, 2009 was $19.8 billion. This interest is distributed to eligible State and Federal accounts within the UTF. Interest income from these investments during FY 2009 was $2.1 billion. Federal and State UI tax and reimbursable revenues of $38.1 billion and regular, extended and emergency benefit payment expense of $114.3 billion were recognized for the year ended September 30, 2009.

As discussed in Note 1.K.1 to the consolidated financial statements, DOL recognized a liability for regular, extended and emergency unemployment benefits to the extent of unpaid benefits applicable to the current period and for benefits paid by States that have not been reimbursed by the UTF. Accrued unemployment benefits payable at September 30, 2009 were $4.2 billion.

FUA has borrowed $8.0 billion from the general fund of the U.S. Treasury as of September 30, 2009. These repayable advances bear an interest rate of 3.375%.

P.L. 111-92, the Worker, Homeownership, and Business Assistance Act of 2009, was enacted on November 6, 2009. The Act extended unemployment benefits to eligible recipients up to 14 additional weeks in all States and a total of up to 20 additional weeks in States with unemployment of 8.5 percent or greater. The Act also extended the FUTA surtax on covered employers through June 30, 2011. The required supplementary information for the Unemployment Insurance Program does not reflect the effect of these subsequent events. Refer to Note 23 for additional discussion.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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 INFORMATION
(Unaudited)

Expected Economic Conditions

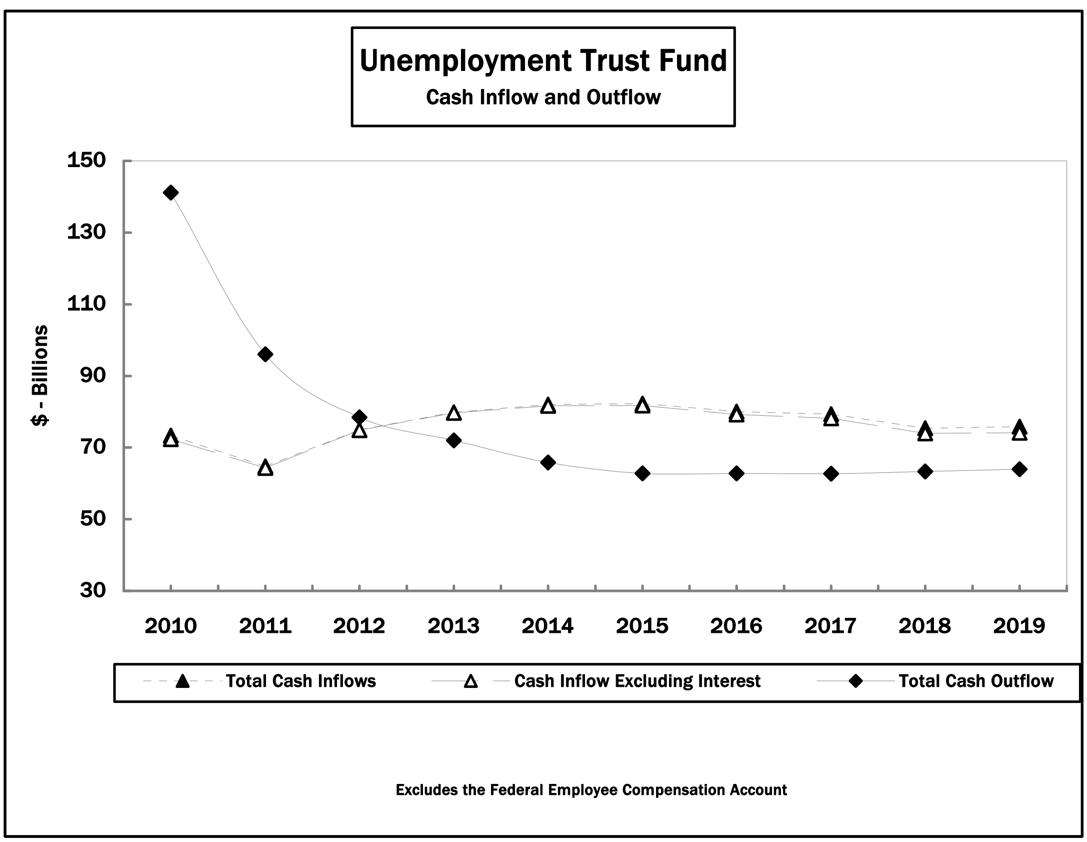
Charts I and II graphically depict the effect of expected economic conditions on the UTF over the next ten years.

Projected Cash Inflows and Outflows Under Expected Economic Conditions

Chart I depicts projected cash inflows and outflows of the UTF over the next ten years under expected economic conditions. Both cash inflows and cash inflows excluding interest earnings are displayed. Current estimates by the Department are based on an expected unemployment rate of 9.92% during FY 2010, decreasing steadily to below 6% in FY 2015 and thereafter. Total cash outflows exceed total cash inflows through FY 2012, whereas total cash inflows exceed total cash outflows beginning in FY 2013 and through the end of the projected period. The net outflow decreases from $67.8 billion in FY 2010 to $3.5 billion in FY 2012. The net inflow increases from $7.9 billion in FY 2013 to $19.5 billion in FY 2015, leveling off at the $17.2 billion to $11.8 billion range after that, indicating that most States have replenished their funds to desired levels. The net outflow occurs due to State unemployment benefits. The net inflow is sustained by the excess of Federal tax collections over Federal expenditures.

These projections, excluding interest earnings, indicate decreasing net cash outflow from FY 2010 to FY 2011, then net cash inflows at varied levels through 2019.

Chart I

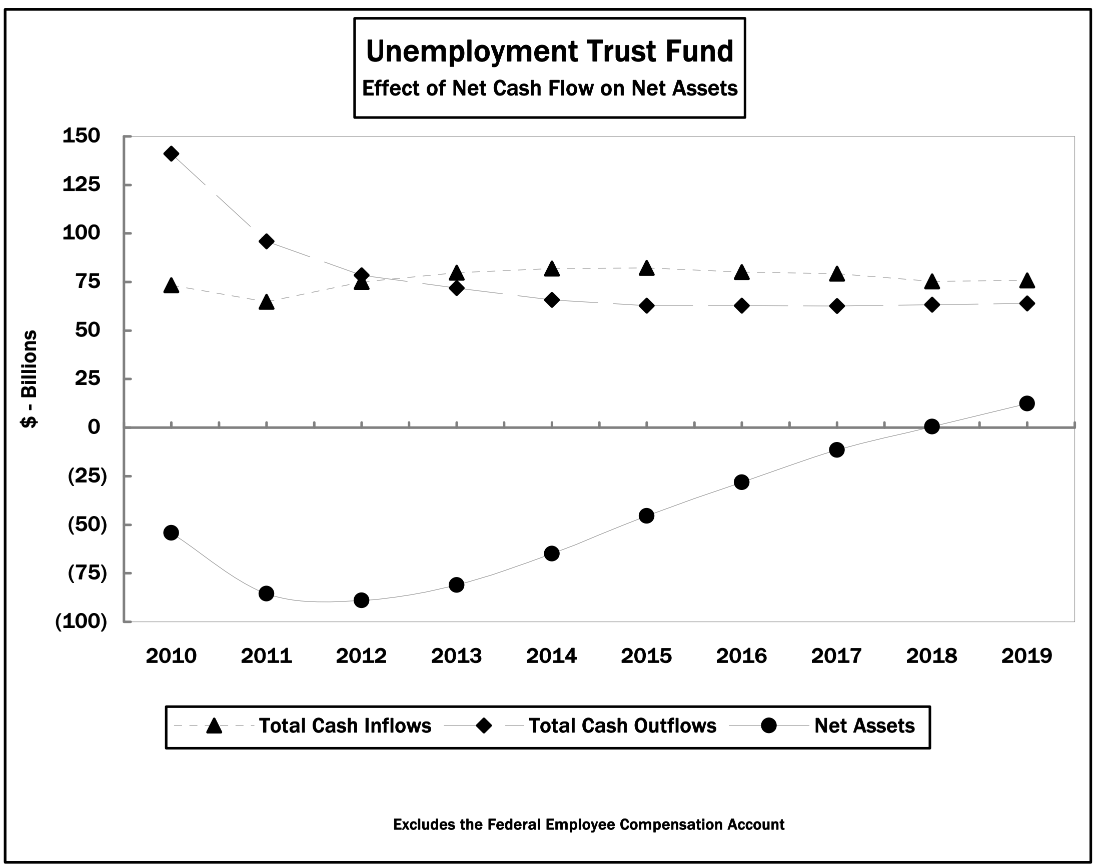


Effect of Expected Cash Flows on UTF Assets

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, 2019. Yearly projected total cash inflows, including interest earnings, and cash outflows, including interest payments, are depicted as well as the net effect of this cash flow on UTF assets.

Total cash outflows exceed cash inflows for FYs 2010 through 2012 and total cash inflows exceed total cash outflows beginning in FY 2013 and all other years in the projected period. The excess of total cash inflows over total cash outflows peaks in FY 2015. Starting at $13.6 billion at the beginning of FY 2010, net UTF assets decrease by $102.6 billion over the next three years to an $89.0 billion fund balance deficit by the end of FY 2012 and then increase by $101.4 billion over the next seven years to a $12.4 billion fund net assets balance by the end of FY 2019. The fund is in a deficit situation from FY 2010 through FY 2017.

Chart II



REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

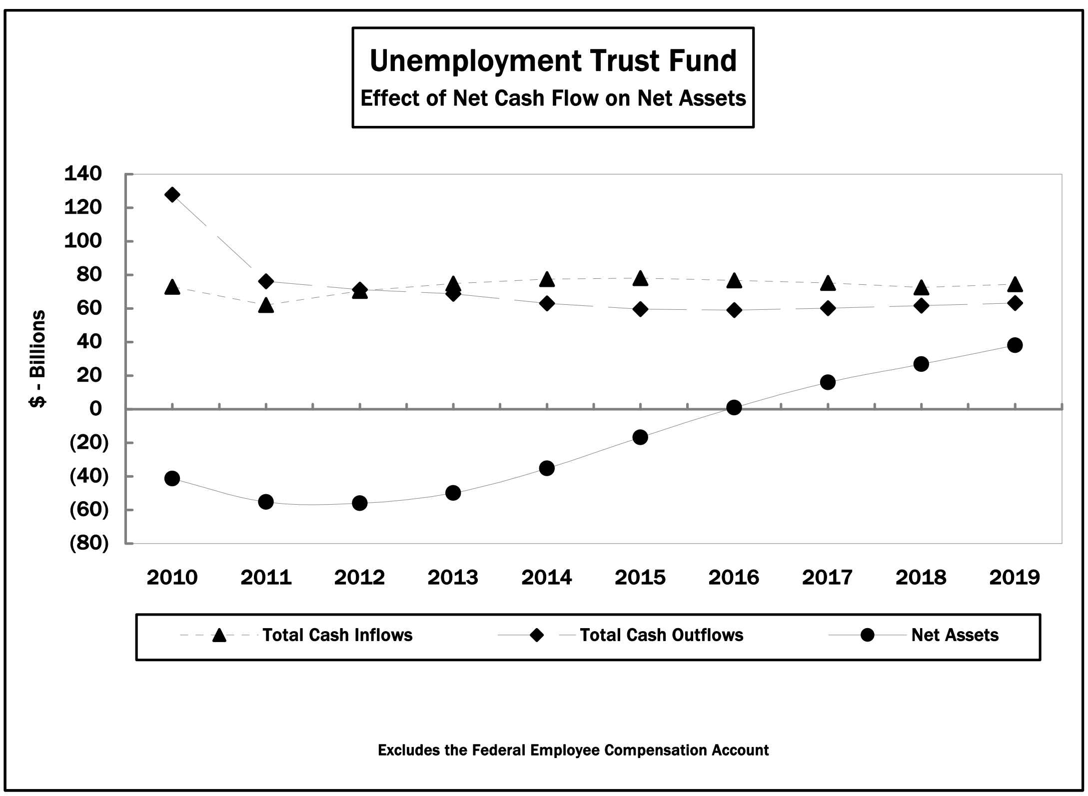
Recovery Scenarios

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, 2019, under two recovery scenarios. Each scenario uses an open group, which includes current and future participants in the UI program. Chart III assumes decreasing rates of unemployment beginning in FY 2010 and Chart IV assumes higher unemployment in FY 2010 and then decreasing rates of unemployment beginning in FY 2011.

Effect on UTF Assets of Recovery Scenario 1

The Department projects the effect of decreasing unemployment rates beginning in FY 2010 on the cash inflows and outflows of the UTF. Under this scenario, which utilizes a decreasing unemployment rate of 8.94% beginning in FY 2010, net cash outflows including projected interest earnings and expenses from Federal sources are projected in FY 2010 through FY 2012. Net cash inflows are reestablished in FY 2013 and peak in FY 2015 with a drop in the unemployment rate to 5.37% and then 5.20% for FYs 2016 through 2019. Starting at $13.6 billion at the beginning of FY 2010, net UTF assets decrease by $69.6 billion over the next three years to a $56.0 billion fund balance deficit in FY 2012 and then increase by $94.1 billion over the next seven years to a $38.1 billion fund net assets balance by the end of FY 2019. The fund is in a deficit situation from FY 2010 to FY 2015.

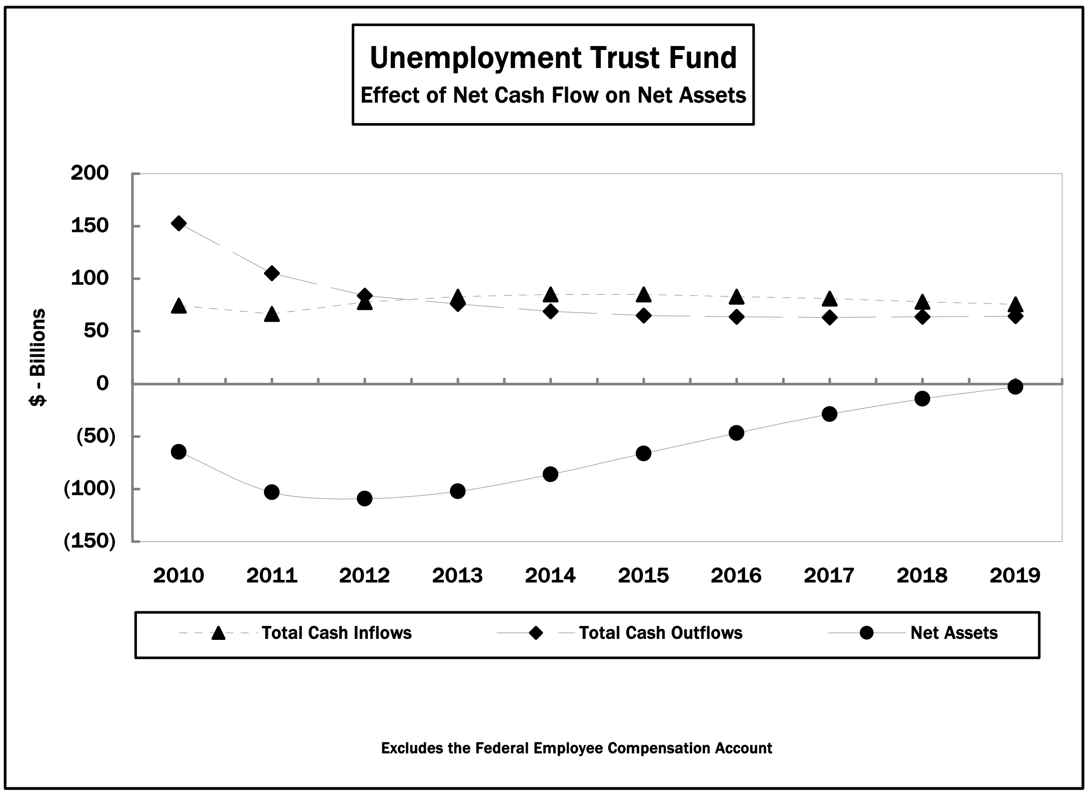
Chart III



Effect on UTF Assets of Recovery Scenario 2

The Department also estimates the effects of an increasing unemployment rate of 10.62% in FY 2010 and decreasing unemployment rates beginning in FY 2011 on the cash inflows and outflows of the UTF. Net cash outflows including projected interest earnings and expenses from Federal sources are projected in FY 2010 through FY 2012, with the fund in a deficit situation from 2010 to 2019. The net assets of the UTF decrease \$122.8 billion from a \$13.6 billion net assets fund balance at the beginning of FY 2010 to a \$109.2 billion fund deficit balance in 2012. Net cash inflows are reestablished in FY 2013 and peak in FY 2015 with a drop in the unemployment rate to 5.82% and then lower rates for FYs 2016 through 2019. By the end of FY 2019, this positive cash flow has decreased the UTF fund deficit to \$2.9 billion. At the end of the projection period of recovery scenario 2, net assets are \$15.3 billion less than under expected economic conditions.

Chart IV



The three examples of expected economic conditions and two recovery scenarios demonstrate 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. In the three examples, State accounts without sufficient reserve balances to absorb negative cash flows are forced to borrow funds from the FUA to meet benefit payment requirements. State borrowing demands also deplete the FUA, which borrows from the ESAA and the EUCA until they are depleted. The FUA then requires advances from the general fund of the U.S. Treasury to provide for State borrowings. (See following discussion of State solvency measures.)

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, 2019

(1) EXPECTED ECONOMIC CONDITIONS

(Dollars in thousands)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Balance, start of year	$ 13,572,826	$ (54,246,705)	$ (85,547,154)	$ (89,033,483)	$ (81,111,927)	$ (64,928,173)	$ (45,383,187)	$ (28,140,681)	$ (11,484,473)	$ 593,974
Cash inflow										
State unemployment taxes	44,377,000	56,451,000	63,866,000	66,222,000	65,731,000	63,647,000	60,914,000	59,096,000	56,432,000	56,753,000
Federal unemployment taxes	5,703,000	5,466,000	7,652,000	9,975,000	12,436,000	14,876,000	15,595,000	16,768,000	15,585,000	15,763,000
General revenue appropriation	22,128,000	24,000	-	-	-	-	-	-	-	-
Interest on loans	-	2,240,000	3,207,000	3,388,000	3,398,000	3,067,000	2,590,000	2,194,000	1,842,000	1,534,000
CMIA receipts	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
Deposits by the Railroad Retirement Board	106,135	119,835	125,035	114,135	106,335	116,235	128,335	127,335	124,535	124,635
Total cash inflow excluding interest	72,317,535	64,304,235	74,853,435	79,702,535	81,674,735	81,709,635	79,230,735	78,188,735	73,986,935	74,178,035
Interest on Federal securities	995,895	423,275	127,110	172,968	334,069	601,370	841,387	1,150,840	1,407,510	1,618,562
Total cash inflow	73,313,430	64,727,510	74,980,545	79,875,503	82,008,804	82,311,005	80,072,122	79,339,575	75,394,445	75,796,597
Cash outflow										
State unemployment benefits	133,625,000	88,481,000	70,691,000	63,855,000	57,642,000	54,887,000	55,430,000	55,721,000	56,717,000	57,717,000
State administrative costs	5,724,000	4,333,000	4,293,000	4,308,000	4,322,000	4,376,000	4,446,000	4,517,000	4,593,000	4,669,000
Federal administrative costs	258,095	263,686	269,466	275,443	281,623	290,013	297,621	306,452	315,516	324,821
Interest on tax refunds	2,436	2,097	2,686	3,491	4,869	6,457	7,200	7,974	7,550	7,714
CMIA interest payment	100	100	100	100	100	100	100	100	100	100
Interest on advances	1,410,000	2,830,000	3,090,000	3,390,000	3,450,000	3,080,000	2,520,000	2,000,000	1,550,000	1,140,000
Railroad Retirement Board withdrawals	113,330	118,076	120,622	121,913	124,458	126,449	128,695	130,841	132,832	132,832
Total cash outflow	141,132,961	96,027,959	78,466,874	71,953,947	65,825,050	62,766,019	62,829,616	62,683,367	63,315,998	63,991,467
Excess of total cash inflow excluding interest over total cash outflow	(68,815,426)	(31,723,724)	(3,613,439)	7,748,588	15,849,685	18,943,616	16,401,119	15,505,368	10,670,937	10,186,568
Excess of total cash inflow over total cash outflow	(67,819,531)	(31,300,449)	(3,486,329)	7,921,556	16,183,754	19,544,986	17,242,506	16,656,208	12,078,447	11,805,130
Balance, end of year	$ (54,246,705)	$ (85,547,154)	$ (89,033,483)	$ (81,111,927)	$ (64,928,173)	$ (45,383,187)	$ (28,140,681)	$ (11,484,473)	$ 593,974	$ 12,399,104
Total unemployment rate	9.92%	9.05%	7.85%	7.05%	6.12%	5.62%	5.55%	5.37%	5.30%	5.22%

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, 2019

(2) RECOVERY SCENARIO 1 UNEMPLOYMENT RATE

(Dollars in thousands)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Balance, start of year	$ 13,572,826	$ (41,245,614)	$ (55,308,520)	$ (55,979,693)	$ (49,837,917)	$ (35,287,812)	$ (16,725,415)	$ 1,027,833	$ 15,958,678	$ 26,922,794
Cash inflow										
State unemployment taxes	44,139,000	54,152,000	59,879,000	61,856,000	62,075,000	60,648,000	58,543,000	57,051,000	55,093,000	54,819,000
Federal unemployment taxes	5,766,000	5,563,000	7,760,000	9,973,000	12,282,000	14,257,000	15,034,000	14,903,000	14,315,000	16,453,000
General revenue appropriation	21,973,000	18,000	-	-	-	-	-	-	-	-
Interest on loans	-	1,713,000	2,360,000	2,507,000	2,485,000	2,187,000	1,825,000	1,473,000	1,176,000	907,000
CMIA receipts	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
Deposits by the Railroad Retirement Board	106,135	119,835	125,035	114,135	106,335	116,235	128,335	127,335	124,535	124,635
Total cash inflow excluding interest	71,987,535	61,569,235	70,127,435	74,453,535	76,951,735	77,211,635	75,533,735	73,557,735	70,711,935	72,307,035
Interest on Federal securities	1,029,013	524,855	394,304	461,187	634,360	907,512	1,284,870	1,652,590	1,927,564	2,161,318
Total cash inflow	73,016,548	62,094,090	70,521,739	74,914,722	77,586,095	78,119,147	76,818,605	75,210,325	72,639,499	74,468,353
Cash outflow										
State unemployment benefits	120,797,000	69,656,000	64,434,000	61,895,000	56,112,000	52,962,000	52,919,000	54,529,000	56,265,000	58,103,000
State administrative costs	5,474,000	3,957,000	4,156,000	4,257,000	4,283,000	4,332,000	4,393,000	4,486,000	4,575,000	4,664,000
Federal administrative costs	258,095	263,686	269,466	275,443	281,623	290,013	297,621	306,452	315,516	324,821
Interest on tax refunds	2,463	2,134	2,724	3,490	4,809	6,188	6,941	7,087	6,935	8,052
CMIA interest payment	100	100	100	100	100	100	100	100	100	100
Interest on advances	1,190,000	2,160,000	2,210,000	2,220,000	2,230,000	1,840,000	1,320,000	820,000	380,000	50,000
Railroad Retirement Board withdrawals	113,330	118,076	120,622	121,913	124,458	126,449	128,695	130,841	132,832	132,832
Total cash outflow	127,834,988	76,156,996	71,192,912	68,772,946	63,035,990	59,556,750	59,065,357	60,279,480	61,675,383	63,282,805
Excess of total cash inflow excluding interest over total cash outflow	(55,847,453)	(14,587,761)	(1,065,477)	5,680,589	13,915,745	17,654,885	16,468,378	13,278,255	9,036,552	9,024,230
Excess of total cash inflow over total cash outflow	(54,818,440)	(14,062,906)	(671,173)	6,141,776	14,550,105	18,562,397	17,753,248	14,930,845	10,964,116	11,185,548
Balance, end of year	$ (41,245,614)	$ (55,308,520)	$ (55,979,693)	$ (49,837,917)	$ (35,287,812)	$ (16,725,415)	$ 1,027,833	$ 15,958,678	$ 26,922,794	$ 38,108,342
Total unemployment rate	8.94%	7.32%	7.12%	6.90%	5.95%	5.37%	5.20%	5.20%	5.20%	5.20%

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, 2019

(3) RECOVERY SCENARIO 2 UNEMPLOYMENT RATE

(Dollars in thousands)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Balance, start of year	$ 13,572,826	$ (64,647,379)	$ (103,192,322)	$ (109,219,131)	$ (102,203,296)	$ (86,077,719)	$ (66,105,002)	$ (46,806,443)	$ (28,727,650)	$ (14,242,334)
Cash inflow										
State unemployment taxes	44,598,000	58,013,000	66,133,000	68,675,000	68,055,000	65,835,000	62,924,000	60,218,000	58,126,000	56,329,000
Federal unemployment taxes	5,672,000	5,427,000	7,600,000	10,014,000	12,514,000	14,828,000	15,919,000	17,075,000	16,183,000	15,560,000
General revenue appropriation	23,084,000	36,000	-	-	-	-	-	-	-	-
Interest on loans	-	2,557,000	3,710,000	3,978,000	4,039,000	3,710,000	3,210,000	2,673,000	2,255,000	1,892,000
CMIA receipts	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
Deposits by the Railroad Retirement Board	106,135	119,835	125,035	114,135	106,335	116,235	128,335	127,335	124,535	124,635
Total cash inflow excluding interest	73,463,535	66,156,235	77,571,435	82,784,535	84,717,735	84,492,635	82,184,735	80,096,735	76,691,935	73,909,035
Interest on Federal securities	968,208	480,766	205,611	150,261	420,922	685,080	952,590	1,215,571	1,483,669	1,708,718
Total cash inflow	74,431,743	66,637,001	77,777,046	82,934,796	85,138,657	85,177,715	83,137,325	81,312,306	78,175,604	75,617,753
Cash outflow										
State unemployment benefits	144,733,000	96,955,000	75,194,000	66,992,000	59,891,000	56,352,000	55,530,000	55,468,000	56,370,000	57,341,000
State administrative costs	5,945,000	4,503,000	4,387,000	4,376,000	4,371,000	4,410,000	4,455,000	4,520,000	4,594,000	4,669,000
Federal administrative costs	258,095	263,686	269,466	275,443	281,623	290,013	297,621	306,452	315,516	324,821
Interest on tax refunds	2,423	2,082	2,667	3,505	4,899	6,436	7,350	8,120	7,840	7,615
CMIA interest payment	100	100	100	100	100	100	100	100	100	100
Interest on advances	1,600,000	3,340,000	3,830,000	4,150,000	4,340,000	4,020,000	3,420,000	2,800,000	2,270,000	1,820,000
Railroad Retirement Board withdrawals	113,330	118,076	120,622	121,913	124,458	126,449	128,695	130,841	132,832	132,832
Total cash outflow	152,651,948	105,181,944	83,803,855	75,918,961	69,013,080	65,204,998	63,838,766	63,233,513	63,690,288	64,295,368
Excess of total cash inflow excluding interest over total cash outflow	(79,188,413)	(39,025,709)	(6,232,420)	6,865,574	15,704,655	19,287,637	18,345,969	16,863,222	13,001,647	9,613,667
Excess of total cash inflow over total cash outflow	(78,220,205)	(38,544,943)	(6,026,809)	7,015,835	16,125,577	19,972,717	19,298,559	18,078,793	14,485,316	11,322,385
Balance, end of year	$ (64,647,379)	$ (103,192,322)	$ (109,219,131)	$ (102,203,296)	$ (86,077,719)	$ (66,105,002)	$ (46,806,443)	$ (28,727,650)	$ (14,242,334)	$ (2,919,949)
Total unemployment rate	10.62%	9.65%	8.35%	7.45%	6.42%	5.82%	5.57%	5.37%	5.30%	5.22%

States Minimally Solvent

Each State's accumulated UTF net assets or reserve balance should provide a defined level of benefit payments over a defined period. To be minimally solvent, a State's reserve balance should provide for one year's projected benefit payment needs based on the highest levels of benefit payments experienced by the State over the last twenty years. A ratio of 1.0 or greater 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. During FY 2009, the balances in the FUA were depleted and the FUA borrowed from the Treasury general fund.

Chart V presents the State by State results of this analysis at September 30, 2009 in descending order by ratio. As the table below illustrates, 37 state funds were below the minimal solvency ratio of 1.00 at September 30, 2009.

Chart V

Minimally Solvent	
State	Ratio
Wyoming	2.21
Louisiana	2.19
Mississippi	2.15
New Mexico	1.91
Utah	1.90
Oklahoma	1.68
Montana	1.64
Washington	1.51
Nebraska	1.38
Maine	1.36
Oregon	1.32
Alaska	1.31
District of Columbia	1.31
North Dakota	1.20
Iowa	1.08
Puerto Rico	1.01

Not Minimally Solvent	
State	Ratio
Hawaii	0.75
Kansas	0.65
Arizona	0.64
West Virginia	0.63
Delaware	0.47
New Hampshire	0.42
Tennessee	0.38
Vermont	0.38
Maryland	0.33
Colorado	0.30
Georgia	0.27
Nevada	0.20
Massachusetts	0.18
Virginia	0.15
South Dakota	0.10
Connecticut	0.06

Not Minimally Solvent	
State	Ratio
Alabama	0.00
Minnesota	0.00
Virgin Islands	0.00
Florida	0.00
Illinois	0.00
Texas	0.00
New Jersey	0.00
Rhode Island	0.00
Arkansas	0.00
Idaho	0.00
New York	0.00
Pennsylvania	0.00
Missouri	0.00
California	0.00
Wisconsin	0.00
Kentucky	0.00
Ohio	0.00
North Carolina	0.00
South Carolina	0.00
Michigan	0.00
Indiana	0.00

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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. Prior to October 3, 2008, the Black Lung Benefits Revenue Act provided for repayable advances to the BLDTF from the general fund of the Treasury, in the event that BLDTF resources were not adequate to meet program obligations.

P.L. 110-343, Division B--Energy Improvement and Extension Act of 2008, enacted on October 3, 2008, in section 113, (1) allowed for the temporary increase in coal excise tax rates to continue an additional five years beyond the current statutory limit and (2) restructured the BLDTF debt by refinancing the outstanding repayable advances (which had higher interest rates) with the proceeds from issuing discounted debt instruments similar in form to zero-coupon bonds (which had lower interest rates), plus a one-time appropriation. The Act also allowed that any debt issued by the BLDTF subsequent to the refinancing may be used to make benefit payments, other authorized expenditures, or to repay debt and interest from the initial refinancing. All debt issued by the BLDTF was effected as borrowing from the Treasury's Bureau of Public Debt. (See Notes 1J and 8)

Program Finances and Sustainability

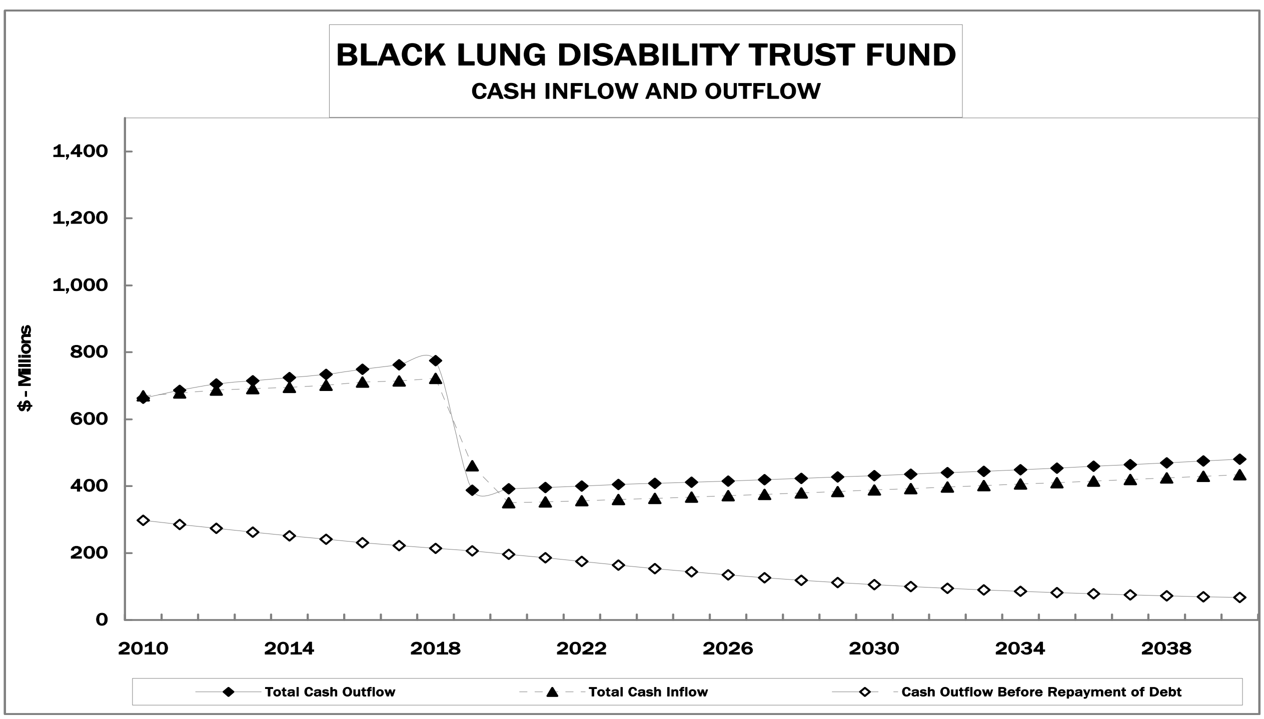
At September 30, 2009, total liabilities of the BLDTF exceeded assets by $6.3 billion. This deficit fund balance represents the accumulated shortfall of excise taxes necessary to meet benefit payments, administrative costs, and interest expense incurred prior to the debt refinancing pursuant to P.L. 110-343. Prior to enactment of P.L. 110-343, this shortfall was funded by repayable advances to the BLDTF, which are repayable with interest. Pursuant to P.L. 110-343, any shortfall will be financed with debt instruments similar in form to zero-coupon bonds. Outstanding debt at September 30, 2009 was $6.4 billion, bearing interest rates ranging from 1.606% to 4.556%. Excise tax revenues of $644.9 million, benefit payment expense of $240.6 million and interest expense of $231.3 million were recognized for the year ended September 30, 2009. The interest expense is accrued and capitalized to the principal of the debt until the debt reaches its face value at the time of maturity. At September 30, 2009, there were 31 debt instruments with staggered maturities of September 30 for years 2010 through 2040, with a total carrying value of $6,370.6 million and a total face value at maturity of $11,081.6 million.

As discussed in Note 1.K.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, 2009 were $17.3 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 excise tax revenue estimates, number of beneficiaries, life expectancy, medical cost inflation, Federal civilian pay raises, and the interest rate on new debt issued by the BLDTF. These projections are sensitive to changes in the tax rate and changes in interest rates on debt issued by the BLDTF.

These projections, made over the thirty-one 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 $14.9 billion by the year 2040. However, when payments from the BLDTF's maturing debt are applied against this surplus cash inflow, the BLDTF's cash flow turns negative in 2011 and each of the subsequent periods included in the projections. Net cash outflows after payments on maturing debt are projected to reach $16.0 billion by the end of the year 2040, resulting in a projected deficit of $1.3 billion at September 30, 2040. (See Chart I)

The net present value of future projected benefit payments and other cash inflow and outflow activities together with the fund's deficit positions as of September 30, 2009, 2008, 2007, 2006, and 2005 are presented in the Statement of Social Insurance.

Chart I



Yearly cash inflows and outflows are presented in the table on the following page.

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE BLACK LUNG DISABILITY TRUST FUND
FOR THE THIRTY-ONE YEAR PERIOD ENDING SEPTEMBER 30, 2040

(Dollars in thousands)	2010	2011	2012	2013	2014	2015 - 2040	Total
Balance, start of year	$ (6,320,321)	$ (5,959,183)	$ (5,588,448)	$ (5,212,434)	$ (4,839,874)	$ (4,471,859)	$ (6,320,321)
Cash inflow							
Excise taxes	670,000	678,000	687,000	691,000	695,000	11,488,752	14,909,752
Total cash inflow	670,000	678,000	687,000	691,000	695,000	11,488,752	14,909,752
Cash outflow							
Disabled coal miners benefits	239,035	225,410	211,673	198,320	185,396	2,230,331	3,290,165
Administrative costs	58,494	60,236	62,114	64,084	66,123	1,316,934	1,627,985
Cash outflows before repayment of debt	297,529	285,646	273,787	262,404	251,519	3,547,265	4,918,150
Cash inflow over cash outflow before payment of debt	372,471	392,354	413,213	428,596	443,481	7,941,487	9,991,602
Maturity of Obligations	364,757	400,905	431,486	452,439	472,849	8,959,144	11,081,580
Total cash outflow	662,286	686,551	705,273	714,843	724,368	12,506,409	15,999,730
Total cash inflow over total cash outflow	7,714	(8,551)	(18,273)	(23,843)	(29,368)	(1,017,657)	(1,089,978)
Reduction of debt	353,424	379,286	394,287	396,403	397,383	4,237,460	6,158,243
Balance, end of year	$ (5,959,183)	$ (5,588,448)	$ (5,212,434)	$ (4,839,874)	$ (4,471,859)	$ (1,252,056)	$ (1,252,056)

STATEMENT OF BUDGETARY RESOURCES

The principal Statement of Budgetary Resources combines the availability, status and outlay of DOL's budgetary resources during FY 2009 and 2008. Presented on the following pages is the disaggregation of this combined information for each of the Department's major budget accounts.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2009

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Office of Job Corps
BUDGETARY RESOURCES			
Unobligated balance, brought forward, October 1	$ 1,582,993	$ 1,981,758	$ 535,878
Recoveries of prior year unpaid obligations	151,234	17,170	25,095
Budget authority			
Appropriations received	154,078,690	9,473,825	1,851,962
Borrowing authority	7,950,000	6,495,717	-
Spending authority from offsetting collections			
Earned			
Collected	47,728	1,585,050	8,435
Change in receivables from Federal sources	387	(1)	-
Change in unfilled customer orders			
Advance received	-	(52,706)	-
Expenditure transfers from trust funds	5,002,885	34,409	-
Total budget authority	167,079,690	17,536,294	1,860,397
Nonexpenditure transfers, net	(109,057)	16,064	96,530
Temporarily not available pursuant to Public Law	-	(35,130)	-
Permanently not available			
Redemption of debt	-	(10,483,557)	-
All other	(616,062)	(436,890)	(5,740)
Total budgetary resources	$ 168,088,798	$ 8,595,709	$ 2,512,160
STATUS OF BUDGETARY RESOURCES			
Obligations incurred			
Direct	$ 165,772,186	$ 4,845,083	$ 1,754,939
Reimbursable	27,930	2,793,010	593
Total obligations incurred	165,800,116	7,638,093	1,755,532
Unobligated balances available			
Apportioned	1,779,084	642,118	745,105
Exempt from apportionment	-	301,542	-
Total unobligated balances available	1,779,084	943,660	745,105
Unobligated balances not available	509,598	13,956	11,523
Total status of budgetary resources	$ 168,088,798	$ 8,595,709	$ 2,512,160
CHANGE IN OBLIGATED BALANCE			
Obligated balance, net			
Unpaid obligations, brought forward, October 1	$ 8,154,190	$ 291,054	$ 256,014
Less uncollected customer payments from Federal sources, brought forward, October 1	(1,176,445)	(183)	-
Total unpaid obligated balance, net	6,977,745	290,871	256,014
Obligations incurred, net	165,800,116	7,638,093	1,755,532
Less gross outlays	(156,949,874)	(7,642,138)	(1,614,768)
Obligated balance transferred, net Actual transfers, unpaid obligation	(128,496)	-	128,496
Less recoveries of prior year unpaid obligations, actual	(151,234)	(17,170)	(25,095)
Change in uncollected customer payments from Federal sources	(1,107,686)	1	-
Obligated balance, net, end of period			
Unpaid obligations	16,724,702	269,839	500,179
Less uncollected customer payments from Federal sources	(2,284,131)	(182)	-
Total unpaid obligated balance, net, end of period	$ 14,440,571	$ 269,657	$ 500,179
NET OUTLAYS			
Gross outlays	$ 156,949,874	$ 7,642,138	$ 1,614,768
Less offsetting collections	(3,943,314)	(1,566,752)	(8,435)
Less distributed offsetting receipts	(18,096,067)	(6,502,766)	(350)
Net outlays	$ 134,910,493	$ (427,380)	$ 1,605,983

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Occupational Safety and Health Administration	Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Total
$ 14,009	$ 9,431	$ 1,466	$ 3,000	$ 3,779	$ 25,114	$ 4,157,428
10,854	6,366	2,209	1,794	5,067	42,280	262,069
513,042	518,918	347,003	143,419	26,330	510,517	167,463,706
-	-	-	-	-	-	14,445,717
2,004	8,434	1,518	13,170	141	194,474	1,860,954
-	-	-	-	-	4,750	5,136
-	-	-	-	-	29,575	(23,131)
-	77,406	-	-	202,469	31,161	5,348,330
515,046	604,758	348,521	156,589	228,940	770,477	189,100,712
5,945	(537)	(30)	5,552	-	(16,170)	(1,703)
-	-	-	-	-	-	(35,130)
-	-	-	-	-	-	(10,483,557)
(8,109)	(1,222)	(149)	(1,919)	(630)	(9,738)	(1,080,459)
$ 537,745	$ 618,796	$ 352,017	$ 165,016	$ 237,156	$ 811,963	$ 181,919,360
$ 520,698	$ 601,599	$ 348,465	$ 146,590	$ 232,001	$ 498,129	$ 174,719,690
1,235	8,580	1,241	12,534	-	229,912	3,075,035
521,933	610,179	349,706	159,124	232,001	728,041	177,794,725
2,909	-	69	3,953	-	59,395	3,232,633
-	-	-	-	-	91	301,633
2,909	-	69	3,953	-	59,486	3,534,266
12,903	8,617	2,242	1,939	5,155	24,436	590,369
$ 537,745	$ 618,796	$ 352,017	$ 165,016	$ 237,156	$ 811,963	$ 181,919,360
$ 86,938	$ 73,947	$ 34,378	$ 50,627	$ 61,596	$ 354,455	$ 9,363,199
(8,113)	-	-	-	-	1,390	(1,183,351)
78,825	73,947	34,378	50,627	61,596	355,845	8,179,848
521,933	610,179	349,706	159,124	232,001	728,041	177,794,725
(506,538)	(575,458)	(349,277)	(161,684)	(221,765)	(657,418)	(168,678,920)
-	-	-	-	-	-	-
(10,854)	(6,366)	(2,209)	(1,794)	(5,067)	(42,280)	(262,069)
-	-	-	-	-	(40,739)	(1,148,424)
91,479	102,302	32,598	46,273	66,765	382,798	18,216,935
(8,113)	-	-	-	-	(39,349)	(2,331,775)
$ 83,366	$ 102,302	$ 32,598	$ 46,273	$ 66,765	$ 343,449	$ 15,885,160
$ 506,538	$ 575,458	$ 349,277	$ 161,684	$ 221,765	$ 657,418	$ 168,678,920
(2,004)	(85,840)	(1,518)	(13,170)	(202,610)	(255,210)	(6,078,853)
-	-	(73)	(25,036)	-	(1,141)	(24,625,433)
$ 504,534	$ 489,618	$ 347,686	$ 123,478	$ 19,155	$ 401,067	$ 137,974,634

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2008

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Office of Job Corps
BUDGETARY RESOURCES			
Unobligated balance, brought forward, October 1	$ 2,403,760	$ 1,837,745	$ -
Recoveries of prior year unpaid obligations	358,350	11,401	-
Budget authority			
Appropriations received	52,202,263	3,075,668	1,626,855
Borrowing authority	-	426,000	-
Spending authority from offsetting collections			
Earned			
Collected	74,527	2,645,916	371
Change in receivables from Federal sources	-	(844)	-
Change in unfilled customer orders			
Advance received	-	1,531	-
Expenditure transfers from trust funds	3,436,272	34,783	-
Total budget authority	55,713,062	6,183,054	1,627,226
Nonexpenditure transfers, net	(7,200)	(674)	(13,215)
Temporarily not available pursuant to Public Law	(62,962)	(135,595)	-
Permanently not available	(766,612)	(11,546)	(28,421)
Total budgetary resources	$ 57,638,398	$ 7,884,385	$ 1,585,590
STATUS OF BUDGETARY RESOURCES			
Obligations incurred			
Direct	$ 56,045,818	$ 3,183,078	$ 1,026,949
Reimbursable	32,032	2,719,549	317
Total obligations incurred	56,077,850	5,902,627	1,027,266
Unobligated balances available			
Apportioned	524,223	1,411,223	558,324
Exempt from apportionment	-	239,306	-
Total unobligated balances available	524,223	1,650,529	558,324
Unobligated balances not available	1,036,325	331,229	-
Total status of budgetary resources	$ 57,638,398	$ 7,884,385	$ 1,585,590
CHANGE IN OBLIGATED BALANCE			
Obligated balance, net			
Unpaid obligations, brought forward, October 1	$ 8,370,953	$ 292,207	$ -
Less uncollected customer payments from Federal sources, brought forward, October 1	(1,242,900)	(1,027)	-
Total unpaid obligated balance, net	7,128,053	291,180	-
Obligations incurred, net	56,077,850	5,902,627	1,027,266
Less gross outlays	(55,951,639)	(5,892,378)	(755,877)
Less recoveries of prior year unpaid obligations, actual	(358,350)	(11,401)	-
Change in uncollected customer payments from Federal sources	66,456	844	-
Obligated balance, net, end of period			
Unpaid obligations	8,138,814	291,055	271,389
Less uncollected customer payments from Federal sources	(1,176,444)	(183)	-
Total unpaid obligated balance, net, end of period	$ 6,962,370	$ 290,872	$ 271,389
NET OUTLAYS			
Gross outlays	$ 55,951,639	$ 5,892,378	$ 755,877
Less offsetting collections	(3,577,254)	(2,682,231)	(371)
Less distributed offsetting receipts	(736,291)	(4,589)	-
Net outlays	$ 51,638,094	$ 3,205,558	$ 755,506

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Occupational Safety and Health Administration	Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Total
$ 16,286	$ 9,060	$ 1,271	$ 16,976	$ 5,521	$ 21,162	$ 4,311,781
8,309	7,506	5,719	1,797	989	24,124	418,195
494,641	476,861	339,862	141,790	31,522	394,540	58,784,002
-	-	-	-	-	-	426,000
2,354	5,584	1,408	12,460	124	204,692	2,947,436
14	-	-	-	-	(3,166)	(3,996)
-	-	-	-	-	781	2,312
-	75,120	-	-	195,247	30,965	3,772,387
497,009	557,565	341,270	154,250	226,893	627,812	65,928,141
(1,035)	(514)	(2,182)	(177)	-	15,247	(9,750)
-	-	-	-	-	-	(198,557)
(13,484)	(11,090)	(6,382)	(3,334)	(754)	(11,283)	(852,906)
$ 507,085	$ 562,527	$ 339,696	$ 169,512	$ 232,649	$ 677,062	$ 69,596,904
$ 491,592	$ 547,532	$ 337,062	$ 154,382	$ 228,869	$ 442,017	$ 62,457,299
1,483	5,565	1,169	12,130	-	209,932	2,982,177
493,075	553,097	338,231	166,512	228,869	651,949	65,439,476
15	-	29	33	49	5,376	2,499,272
-	-	-	-	-	93	239,399
15	-	29	33	49	5,469	2,738,671
13,995	9,430	1,436	2,967	3,731	19,644	1,418,757
$ 507,085	$ 562,527	$ 339,696	$ 169,512	$ 232,649	$ 677,062	$ 69,596,904
$ 95,692	$ 75,289	$ 48,610	$ 40,172	$ 56,100	$ 390,505	$ 9,369,528
(8,099)	-	-	-	-	(9,342)	(1,261,368)
87,593	75,289	48,610	40,172	56,100	381,163	8,108,160
493,075	553,097	338,231	166,512	228,869	651,949	65,439,476
(493,520)	(546,931)	(346,743)	(154,261)	(222,385)	(663,876)	(65,027,610)
(8,309)	(7,506)	(5,719)	(1,797)	(989)	(24,124)	(418,195)
(14)	-	-	-	-	10,731	78,017
86,938	73,949	34,379	50,626	61,595	354,454	9,363,199
(8,113)	-	-	-	-	1,389	(1,183,351)
$ 78,825	$ 73,949	$ 34,379	$ 50,626	$ 61,595	$ 355,843	$ 8,179,848
$ 493,520	$ 546,931	$ 346,743	$ 154,261	$ 222,385	$ 663,876	$ 65,027,610
(2,354)	(80,704)	(1,408)	(12,460)	(195,370)	(236,438)	(6,788,590)
-	-	-	-	-	-	(740,880)
$ 491,166	$ 466,227	$ 345,335	$ 141,801	$ 27,015	$ 427,438	$ 57,498,140

Other Accompanying Information

Top Management Challenges

The Top Management Challenges identified by the Office of the Inspector General (OIG) for the Department of Labor (DOL) are discussed below. The Department's responses and presentation of its progress on the Top Management Challenges are shown following the OIG report.

2009 Top Management Challenges Facing the Department of Labor

For 2009, the OIG considers the following as the most serious management and performance challenges facing the Department:

- Implementing the American Recovery and Reinvestment Act of 2009
- Protecting the Safety and Health of Workers
- Improving Performance Accountability of Grants
- Ensuring the Effectiveness of the Job Corps Program
- Safeguarding Unemployment Insurance
- Improving the Management of Workers' Compensation Programs
- Improving Procurement Integrity
- Maintaining the Integrity of Foreign Labor Certification Programs
- Securing Information Technology Systems and Protecting Related Information Assets
- Ensuring the Security of Employee Benefit Plan Assets

For each challenge, the OIG presents an overview of the challenge, a description of the challenge, and the OIG's assessment of the Department's progress in addressing the challenge. The OIG continues to review and monitor how these complex issues are addressed.

CHALLENGE: Implementing the American Recovery and Reinvestment Act of 2009

OVERVIEW: The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law on February 17, 2009. It is an unprecedented effort to jumpstart the economy, while creating or saving millions of jobs. DOL has three key roles in the Recovery Act effort: providing worker training for these jobs; easing the burden of the recession on workers and employers by providing for extensions and expansions of unemployment benefits; and assisting and educating unemployed workers regarding expanded access to continued health benefits. The Recovery Act also appropriates substantial funding for construction, alteration, and repair of Federal buildings and for infrastructure projects such as roads, bridges, and public transit.

CHALLENGE FOR THE DEPARTMENT: The Recovery Act provided the Department with approximately $45 billion and mandated that these funds be spent expeditiously while ensuring transparency, accountability, and results. The risk for fraud and abuse grows when large sums of money are being disbursed quickly, eligibility requirements are being established or changed, or new programs are being created. Consequently, the Department has to meet the challenges inherently created by increased funding and the corresponding increase in the attempts at fraud and abuse that will likely follow. In addition, the Department has new or increased requirements impacting many of its ongoing programs. For example, the Recovery Act contains premium assistance provisions that expand the Consolidated Omnibus Budget Reconciliation Act (COBRA) eligibility and provide eligible individuals with a 65 percent reduction of their COBRA premiums for up to nine months. The Employee Benefits Security Administration (EBSA) will now be responsible for administering the extension and subsidization of COBRA for certain groups of eligible laid off workers and for handling appeals, outreach, and regulatory responsibilities. Handling the appeals in a timely manner, and having the necessary, trained personnel to do so, is a major challenge, as EBSA has reported receiving 6,000 inquiries per week about the COBRA premium reduction.

In addition, the increased funding tied to improvements to the Nation's infrastructure work will have an impact on Departmental enforcement efforts related to worker pay.

About $40 billion of the Department's Recovery Act funds will be used to provide extensions of unemployment benefits and to fund a new temporary Federal Additional Compensation program, which increases the Weekly Benefit Amount for unemployment benefits by $25 per week. While costly, the Recovery Act provisions relating to benefit extensions are (1) a continuation of the Emergency Unemployment Compensation program created by the Supplemental Appropriations Act 2008, and (2) an inducement for states to pay benefits under the permanent federal-state extended benefit program. The Federal Additional Compensation program is new to the Department, as well as to the States that are paying the additional weekly benefit and the Department will be challenged to ensure that these benefits are accounted for correctly.

The Recovery Act provided almost $5 billion for Workforce Investment Act (WIA) programs, most of which will be expended through non-Federal entities, rather than directly by the Department. While these WIA programs are not new, our past audits have demonstrated problems with respect to grant accountability. Given the large number of grants being awarded under tight time frames, the pressure to spend the funds quickly, and the increased reporting requirements mandated by the Recovery Act, the Department now faces even greater challenges in demonstrating and reporting that grants are properly awarded, funds are properly spent, and that these investments achieve their intended outcomes.

The amount of Recovery Act funding designated for infrastructure work will increase the number of Federal construction projects over the course of two years. The Wage and Hour Division (WHD) will be required to publish up-to-date and accurate prevailing wage determinations for use on the newly funded construction projects, and to establish an active enforcement program for Recovery Act covered projects. Many WHD investigators have little or no experience with Davis-Bacon Act enforcement. Davis-Bacon complaint workloads are expected to substantially increase, an increase that may continue over a number of years given that some of the funded projects may be under construction for several years. It will be a challenge for WHD to assign a sufficient number of trained personnel that will ensure workers receive the wages they are legally due, and avoid a backlog of non-Recovery Act complaints as a result of increased Recovery Act worker complaints.

The Recovery Act requires Federal agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how their tax dollars are being spent. The Department faces several challenges in implementing the performance reporting requirements of the Recovery Act. Most importantly, the Department needs to report whether recipients used Recovery Act funds to train and place participants in high-demand occupations or industries. Additionally, the Department needs to develop policies and procedures to perform data quality reviews of the quarterly reports submitted by recipients.

DEPARTMENT'S PROGRESS: The Department continues to implement its responsibilities under the Recovery Act and financial and performance reporting guidance issued by the Office of Management and Budget (OMB). In keeping with the Recovery Act's goals for accountability and transparency, DOL established a Web site (http://www.dol.gov/recovery/) to keep the public informed on how it is spending Recovery Act funds, and updates it regularly. The Department reassigned staff to address Recovery Act workload and launched a hiring initiative to meet its expanded program responsibilities. Individual agencies have taken steps to address their increased responsibilities under the Recovery Act. The Department appointed a Senior Accountable Official for the Recovery Act. The Senior Accountable Official has held weekly meetings to discuss the Department's progress in fulfilling the Recovery Act's responsibilities. The Office of the Chief Financial Officer has developed new accounting codes to enable it to separately account for Recovery Act funds. EBSA responded to more than 110,000 telephone inquiries related to COBRA premium assistance in the first five months after Recovery Act passage, and the Employment and Training Administration (ETA) made available to the states $40 billion to support and expand unemployment insurance and $3.5 billion in training and employment formula funds. WHD has selected a senior executive to manage implementation of its Recovery Act plan, and budget, administrative, procurement, human resources and wage determination and enforcement staff have been reassigned to assist in Recovery Act efforts.

OIG completed several audits in fiscal year (FY) 2009 assessing the Department's progress under the Recovery Act. For Recovery Act financial activity, OIG found that, generally, the Department has implemented procedures to account for Recovery Act financial activity as required by Federal law and OMB guidance, and report on the use of Recovery Act funds in accordance with OMB guidance.

OIG's audit of the implementation of the Federal Assistance Compensation program in 10 states found that all of the states had aggressively implemented the program. As of June 30, 2009, the 10 states had paid about $1.3 billion in benefits to Federal Assistance Compensation program recipients. Challenges encountered by the states included overpayment identification, recovery capabilities, and the withholding of taxes. The audit also found non-compliance issues concerning states not reporting overpayment information to ETA and not withholding taxes when requested by claimants.

OIG's audit of EBSA's implementation of the COBRA premium assistance provisions of the Recovery Act found that EBSA quickly started outreach activities to implement the COBRA provisions under the Recovery Act, and designed and implemented a process to provide timely reviews of appeals of premium assistance denials. EBSA could improve several aspects of its efforts through improved coordination with ETA to ensure Recovery Act COBRA premium assistance materials are displayed and distributed at all One-Stop centers, using feedback from enforcement investigations to help assess outreach efforts, developing a resource contingency plan, improving controls to assure accurate dates are used on applicant determination letters, and redesigning the letters sent to appellants.

CHALLENGE: Protecting the Safety and Health of Workers

OVERVIEW: The Department administers the Occupational Safety and Health Act of 1970 and the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement Emergency Response Act of 2006. The workplace safety and health of our nation's workers depends on DOL's strong enforcement of these laws.

CHALLENGE FOR THE DEPARTMENT: The two DOL agencies primarily responsible for worker safety and health are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). OSHA is responsible for ensuring safe and healthful working conditions for 111 million workers at more than seven million establishments. MSHA is responsible for the safety and health of over 390,000 miners who work at more than 14,800 mines. Given the scope of their responsibilities, OSHA and MSHA are continually challenged to effectively utilize their operating resources to meet mission needs in all areas of responsibility.

With more than 7 million workplaces nationwide and with 5,071 fatal workplace injuries reported by the Bureau of Labor Statistics in 2008[1], OSHA's challenge is to target its limited resources to workplaces where they can have the greatest impact. In 2003, OSHA developed the Enhanced Enforcement Program (EEP). The EEP was designed to identify employers indifferent to their obligations under the Occupational Safety and Health Act in order to target their worksites with increased enforcement attention.

Our recent audit of OSHA's EEP found that OSHA did not always properly identify employers for enhanced enforcement. When it did, OSHA did not always take proper action nor place the appropriate management emphasis on compliance, commit the necessary resources, and provide clear policy guidance. For example, in 29 OSHA-designated EEP cases, OSHA did not take any of the appropriate enhanced enforcement actions, and 16 of

[1]These numbers include fatalities not under OSHA jurisdiction, such as deaths among miners, transportation workers, domestic workers, some public employees, and the self-employed, as well as fatalities that fall outside of OSHA's definition of work-relatedness.

the 29 employers reported 20 subsequent fatalities. Of these, 14 fatalities were in cases that shared similar violations. The OIG recommended that OSHA form a task force to make recommendations to improve program efficiency and effectiveness in the following areas: targeting employers indifferent to the safety of their employees which are most likely to have unabated hazards and/or company-wide safety and health issues at multiple worksites; ensuring appropriate actions (i.e., follow-up and related worksite inspections) are taken on indifferent employers and related companies; centralizing data analysis to identify employers with multiple EEP qualifying and/or fatality cases that occur across Regions; and identifying and sharing Regional and Area Offices' "best practices" to improve compliance with EEP requirements.

Regarding MSHA, the OIG's reviews over the past several years revealed a pattern of weak oversight, inadequate policies, and a lack of accountability on the part of MSHA, which were exacerbated by years of resource shortages. Historically, MSHA was not meeting its statutory responsibility to conduct inspections at the nation's coal mines. Insufficient resources during a period of increasing mining activity made it difficult for the Department to ensure that it had enough resources in the right places to protect the safety of miners. While Congress allocated supplemental funding to MSHA in FY 2006 to hire additional mine inspectors, the full impact of that increase was not immediately realized. MSHA states that it takes from 18 to 24 months of classroom and on-the-job training for a new hire to become a qualified mine inspector. Therefore, MSHA is just now reaching a point where those new mine inspectors can have an impact on MSHA's workload. Retirements and other attritions make maintaining a sufficient number of trained mine inspectors an ongoing challenge.

DEPARTMENT'S PROGRESS: OSHA has established an EEP Revision Task Force to design a new program that will be able to identify and inspect recalcitrant employers more effectively. Some changes under consideration include mandatory follow-up inspections, more inspections of other establishments of an identified company, and additional enhanced settlement provisions. OSHA plans for the new program to include a more intensive examination of an employer's history for systemic problems that would trigger additional mandatory inspections.

All personnel hired under the FY 2006 supplemental funding provided to MSHA by Congress have now completed their training and are mine inspectors. As of April 30, 2009, MSHA reported that it had increased its enforcement personnel by 30 percent over 2006 levels. Additional hiring of trainees, due to attrition of enforcement personnel is an ongoing activity. Efforts are also underway to attract and retain engineers and specialists. In 2008, for the first time in its history, MSHA reported that it completed 100 percent of all mandatory mine inspections. However, the OIG remains concerned that MSHA has improved its efforts in inspecting mines at the cost of not fulfilling other statutory responsibilities, such as mine plan reviews.

CHALLENGE: Improving Performance Accountability of Grants

OVERVIEW: In FY 2008, the Department's ETA reported program costs totaling $3.2 billion for the WIA Adult, Dislocated Worker, and Youth programs. WIA Adult employment and training programs are provided through financial assistance grants to States and territories to design and operate programs for disadvantaged persons, including public assistance recipients. ETA also awards grants to States to provide reemployment services and retraining assistance to individuals dislocated from their employment. Youth programs are also funded through grant awards that support program activities and services to prepare low-income youth for academic and employment success, including summer jobs, by linking academic and occupational learning with youth development activities.

CHALLENGE FOR THE DEPARTMENT: DOL is challenged to ensure that discretionary grants are properly awarded and that the Department receives the quality of services that the taxpayers deserve. Successfully meeting the employment and training needs of citizens requires selecting the best service providers, making expectations clear to grantees, ensuring that success can be measured, providing active oversight, evaluating outcomes, and disseminating and replicating proven strategies and programs. Past OIG and Government Accountability Office

(GAO) audits have found weaknesses in how ETA manages its grants to this end. In audits involving the High Growth, Community Based, and WIRED initiatives, weaknesses found included the lack of competition in awarding grants, grants that failed to achieve major performance goals, grant agreements with goals that were so unclear it was impossible to determine success or failure, and grants whose required matching funds were not provided. Our audits also found that ETA has not evaluated the usefulness of individual grant products or the overall effectiveness of its discretionary grant initiatives. ETA is also challenged to provide adequate oversight and monitoring of the grants it awards, as the agency lacks reliable and timely performance data that would allow identification of problems in time to correct them. In 2005, ETA implemented a data validation initiative to ensure that state workforce agencies (SWA) report accurate and reliable performance data for WIA programs. OIG's recent audit of three states found that they were not using the appropriate ETA criteria or source documentation to perform the data validations. As a result, ETA has no assurance that data validation is operating as designed, or that the data reported by states can be relied upon for accurately reporting performance results.

The large increase in funding provided by the Recovery Act challenges the Department even more in ensuring that grant funds are appropriately spent on activities that will yield the desired training and employment outcomes.

DEPARTMENT'S PROGRESS: As a result of the audits by the OIG and GAO, ETA has indicated that it will increase the emphasis placed on awarding discretionary grants competitively, developed procedures designed to better document decisions and discussions that lead to grant actions, implemented new procedures to ensure the proper justification of any future non-competitive awards, and provided training to agency grant officers on these new procedures. ETA has also stated that future agreements for pilots and demonstration grants will require grantees to obtain an independent evaluation of grant results. While these actions, if effectively implemented, should help to improve performance accountability, ETA needs to focus its future efforts on determining how best to prioritize its available resources to adequately monitor grant performance and how to evaluate grants to ensure desired results are achieved. In conjunction with our planned Recovery Act audit work, we will review the Department's stated progress in this challenge area.

CHALLENGE: Ensuring the Effectiveness of the Job Corps Program

OVERVIEW: Education, training, and support services are provided to approximately 60,000 students at 122 Job Corps centers located throughout the United States and Puerto Rico. Job Corps centers are operated for DOL by private companies through competitive contracting processes, and by other Federal Agencies through interagency agreements. The program was appropriated nearly $1.7 billion in FY 2009.

CHALLENGE FOR THE DEPARTMENT: The OIG's work has consistently identified challenges to the effectiveness of the Job Corps program. These challenges include ensuring the safety and health of students and having accurate, reliable, performance data necessary to determine the success of the program. OIG audits have identified safety program weaknesses at some centers, including unsafe or unhealthy conditions and the lack of required safety inspections. Unsafe or unhealthy conditions affect the learning environment and could adversely impact the overall success of the Job Corps program. Further, Job Corps officials need to do more to address the problems of centers not taking appropriate action for student misconduct, including illegal drug use and violence. The OIG found that some centers did not hold required behavior review board meetings to evaluate student misconduct and initiate disciplinary action. The lack of appropriate disciplinary action, including termination of enrollment, may place the remaining students at risk.

OIG audits have found that weak controls at centers have resulted in the overstatement and misrepresentation of performance data. The OIG has found problems with the reporting of student outcomes, on-board strength and attendance. This is a particular challenge for Job Corps when centers are operated by contractors through performance-based contracts, which tie cost reimbursement, incentive fees and bonuses directly to contractor performance largely measured by on-board strength, attendance, and outcomes. Under such contracts, there is a risk that contractors will graduate students with incomplete training or inflate their performance reports so they can continue to operate centers. It is essential for Job Corps to have reliable, accurate, and timely data, so that the Department can effectively evaluate contractor performance and participant outcomes.

DEPARTMENT'S PROGRESS: Job Corps continues to take actions such as strengthening policies and procedures, conducting periodic center assessments, and following up on issues identified in center assessments and contractor assessments. Specifically, Job Corps has recently revised its policies regarding the completion of training records, which was intended to mitigate both the risk of contractors graduating students with incomplete training or inflating their performance reporting. However, our audits continue to identify problems. Job Corps's actions may not achieve the desired outcomes unless proactive, consistent, and rigorous oversight of contractors and personnel is provided at all centers.

CHALLENGE: Safeguarding Unemployment Insurance

OVERVIEW: The Department partners with the states to administer unemployment benefit programs. State Unemployment Insurance (UI) provides benefits to workers who are unemployed and meet the eligibility requirements established by their respective states. UI benefits are largely [2] financed through employer taxes imposed by the states and deposited in the Unemployment Trust Fund (UTF), from which the states pay the benefits.

The Department funds State Workforce Agencies (SWAs), which administer the UI program through grant agreements. These grant agreements are intended to ensure that SWAs both administer the UI program efficiently and comply with Federal laws and regulations. In addition, the SWAs are required to have disaster contingency plans in place to enable them to administer benefits in the aftermath of a disaster.

Disaster Unemployment Assistance (DUA) is a Federally-funded program that provides financial assistance to individuals who lose their jobs as a direct result of a major disaster and are ineligible for other UI benefits.

CHALLENGE FOR THE DEPARTMENT: Reducing and preventing UI and DUA overpayments by improving controls over eligibility, timely detecting and recovering overpayments, and combating fraud against these programs remain major challenges for the Department. Another challenge involves ensuring that SWAs have adequate information technology contingency plans that provide for the continuation of services in the aftermath of disasters.

In FY 2008, the Department reported a total overpayment rate of 9.92 percent, which equates to more than $3.8 billion in UI overpayments – an increase from the $3 billion reported in FY 2007. The Department met its target goal of identifying and establishing for recovery 56 percent of UI overpayments in FY 2008; however, this goal had been reduced from the target levels of 59-60 percent established during the previous five years. It is a challenge for the Department and the SWAs to have systems and controls in place to quickly prevent or respond to improper payments. The current economic downturn increases this challenge, as more claims are filed and states shift resources from detecting improper payments to processing claims. The Department needs to promote the states' use of the National Directory of New Hires (NDNH) database to prevent and timely detect overpayments. Our recent audit found that ETA could not demonstrate it exercised sufficient oversight to ensure SWAs utilized information from the NDNH to prevent and detect unemployment compensation overpayments. Without effective reviews of SWAs' use of the NDNH for cross-matching UI claims, ETA cannot ensure the reliability of the data provided by the states, and the dollar value of detected or possible undetected overpayments is unknown or cannot be validated. We also found that California (which accounts for roughly 16 percent of total UI benefits paid), Indiana, the District of Columbia, and Puerto Rico were not using the NDNH to detect unemployment compensation overpayments.

[2] Employees also contribute to Unemployment Insurance in three states.

Reducing fraud committed against the UI program is also a challenge. ETA estimates that about $1 billion of the $3.8 billion total overpayments resulted from willful misrepresentation by the claimant – a fraud overpayment rate of 2.7 percent of UI benefits paid in FY 2008. The OIG investigates fraud committed by individuals who do not report or who underreport earnings and income while receiving UI benefits. In addition to single claimants and fictitious employer-related schemes, OIG investigations continue to uncover schemes in which individuals and/or conspirators commit identity theft to illegally obtain benefits in which UI benefits have been paid to ineligible claimants.

The Department also needs to ensure that SWAs have adequate Information Technology (IT) Contingency Plans that will enable them to continue to pay UI benefits in the event of a disaster such as a hurricane. Our recent audit found that ETA had not ensured that SWA partners had established and maintained required IT contingency plans. Specifically, 50 out of 51 plans lacked critical elements to ensure the continued availability of the UI systems. It is critical that all SWAs have IT contingency plans for UI to ensure that individuals who rely on these benefits receive this vital support in a time of need and uncertainty.

DEPARTMENT'S PROGRESS: The Department has taken some measures to reduce and prevent UI and DUA overpayments. The Department stated in the DOL 2008 Performance and Accountability Report that it is continuing to promote the use of NDNH by all states, facilitating a National UI Benefits and Adjudication Conference for states to share best practices and discuss improvement strategies, and issuing guidance to the states to address legislative requirements of the Unemployment Compensation Integrity Act of 2008, which authorizes recovery of some UI fraud overpayments by offsetting Federal income tax refunds. Despite the Department's efforts, the UI overpayment rate over the seven-year period from CY 2002-2008 averaged 9.6 percent, an increase over the previous 12-year period, which averaged 8.3 percent.

The OIG continues to work with UI's state partners to more effectively provide training to detect and prevent UI fraud. In addition, UI was a participant at the OIG's recent investigators training conference where it provided instruction on its efforts to recognize, refer and address fraud relating to its program.

The Department generally agreed to implement our recommendations that ETA conduct annual verification of SWAs' IT contingency plans. ETA plans to begin working with a selected group of SWAs each year to verify the existence and reliability of their IT contingency plans, using the risk based approach that was recommended by the OIG. ETA also plans to issue advisories to the SWAs informing each about the availability of FY 2009 funds to develop or update IT contingency plans, including a requirement that the states awarded UI grants obtain independent verification and validation of their contingency plans' acceptability.

CHALLENGE: Improving the Management of Workers' Compensation Programs

OVERVIEW: The Department has responsibility for managing the Energy Employees Occupational Illness Compensation Act Program (Energy workers' program) and the Federal Employees' Compensation Act (FECA) Program, both of which were designed to address the needs of employees who are injured on the job.

The Energy workers' program was created to provide compensation to civilian employees who incurred an occupational illness, such as cancer, as a result of their exposure to radiation while employed in the nuclear weapons production and testing programs of the Department of Energy and its predecessor agencies. In certain circumstances, these employees' survivors may be eligible for compensation. Since the program began in 2001, through September 30, 2009, DOL reports it has received 183,456 claims, and issued decisions on nearly 90 percent of these claims. DOL had approved slightly more than 38 percent of claims filed and paid nearly $4.8 billion in compensation.

The FECA program provides income and pays medical expenses for covered Federal civilian employees injured on the job, those who have work-related occupational diseases, and dependents of employees whose deaths resulted from job-related injuries or occupational diseases. This program is administered by the Department, impacting all Federal agencies' budgets and employees. FECA benefit expenditures totaled $2.7 billion in 2008. Most of these costs were charged back to individual agencies for reimbursement to the Department's Office of Workers' Compensation Programs (OWCP).

CHALLENGE FOR THE DEPARTMENT: The challenge for the Energy workers' program centers on the number of claims that are denied compensation and on the timeliness of its claim decisions. For the FECA program, the determination of continuing eligibility is the primary challenge.

Inquiries by several members of Congress and the public raised concerns as to whether the Department unfairly denied too many Energy claims and whether claims decisions were timely. In response to those concerns, the OIG conducted an evaluation to determine whether claim decisions issued by the Department complied with applicable law and regulations, and whether the Department has a system in place to ensure that claims are adjudicated as promptly as possible and claimants are kept informed. The OIG found that claims decisions complied with applicable laws and regulations, and were based on the evidence provided by or obtained on the behalf of claimants. The OIG also found that the Energy workers' program has made progress in reducing the time it takes to adjudicate claims. However, we found that the claims process remained lengthy and it could take up to two years or more to process and adjudicate a claim. Part of the challenge is that the National Institute for Occupational Safety and Health (NIOSH) must prepare a dose reconstruction of the amount of radiation to which an employee with cancer was exposed. The dose reconstruction process is complicated and time consuming. The Department has no regulatory authority to control the time it takes to complete the NIOSH process. Nonetheless, more can be done to further reduce the time it takes to process claims, to assist claimants in developing their claims, and to better educate claimants on general program requirements. The timeliness of adjudicating claims from the viewpoint of the claimant, (i.e., how long it takes from the time they apply for benefits to reaching a final decision), needs to be measured and reported to show how well the Energy workers' program is serving claimants, rather than solely measuring how long a claim is at DOL.

For FECA, the structure and operation of the program is both a Departmental and a government-wide challenge. All Federal agencies rely upon OWCP to adjudicate the eligibility of claims, to manage the medical treatment of those claims, to make compensation payments, and to pay medical expenses. Ensuring proper payments while being responsive and timely to eligible claimants is a challenge for OWCP. Among these challenges are moving claimants off the periodic rolls when they can return to work or their eligibility ceases, preventing ineligible recipients from receiving benefits, and preventing fraud by service providers, and by individuals who receive FECA benefits while working. A recent OIG audit found OWCP needs to improve its process for monitoring claimants in the temporary "reemployment status not yet determined" category. FECA claims examiners are responsible for proactively managing these cases until the claimant either returns to work, is found to be entitled to reduced compensation, or it is determined the claimant has no reemployment potential for an indefinite future. OIG noted 2,860 claimants who had been receiving FECA compensation while in the temporary "reemployment status not yet determined" category for 15 years or longer.

The OIG recognizes that it is difficult to identify and address improper payments and/or fraud in the FECA program. Another difficulty is that OWCP does not have the legal authority to match FECA compensation recipients against social security wage records. Currently, OWCP must obtain permission from each individual claimant each time in order for it to check records. Being able to do the match would enable OWCP to identify individuals who are collecting FECA benefits while working and collecting wages.

DEPARTMENT'S PROGRESS: For the Energy workers' program, the Department has implemented new procedures to reduce the time it takes to develop impairment claims and is revamping its procedural guidance. Additionally, the Department is measuring its timeliness performance from the point of application to final decision and payment. The Department now publishes on its Web site graphs that show the processing times for various types of cases, including those sent to NIOSH for completion of a dose reconstruction. These measures are updated quarterly. The Department has also provided its Resource Centers with expanded access to the Energy Case Management System (ECMS), which will provide enhanced customer service to claimants. The Resource Centers are also working to improve the level of education provided to potential claimants regarding the benefits available under the Act.

For FECA, the Department completed the roll-out of its new FECA benefit payment system, the Integrated Federal Employee Compensation System, that is designed to track due dates of medical evaluations, revalidate eligibility for continued benefits, use data mining to prevent improper payments, boost efficiency, and improve customer satisfaction.

The Department needs to continue its efforts to seek legislative reforms to the FECA program to enhance incentives for employees who have recovered to return to work, address retirement equity issues, discourage unsubstantiated or otherwise unnecessary claims, and make other benefit and administrative improvements. Through the enactment of these proposals, the Department estimates savings to the government over 10 years to be $384 million. These legislative reforms would assist the Department to focus on improving case management and to ensure only eligible individuals receive benefits. In addition, to help ensure proper payments in the FECA program, the Department is seeking legislative authority to allow for easy and expeditious access to Social Security Administration (SSA) wage records.

The OIG continues to provide training to DOL and to other Federal agencies in the detection and prevention of fraud against the FECA program. This training is designed to upgrade and develop the best investigative practices and techniques throughout the investigative community to keep pace with the new types of fraudulent schemes confronting the program. Additionally, OWCP participated in the OIG's recent investigator training conference where it provided guidance on its various programs and suggestions for working with the OIG to effectively address fraud in those programs.

CHALLENGE: Improving Procurement Integrity

OVERVIEW: The Department contracts for many goods and services to assist in carrying out its mission. In FY 2008, the Department's acquisition authority exceeded $1.8 billion and included over 9,300 acquisition actions.

CHALLENGE FOR THE DEPARTMENT: Ensuring integrity in procurement activities is a continuing challenge for the Department. The OIG's past audit work has identified violations of Federal procurement regulations, preferential treatment in awards, procurement actions that were not in the government's best interest, and conflicts of interest in awards.

The Services Acquisition Reform Act (SARA) of 2003 requires that executive agencies appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. The Department's organization has not been in compliance with this requirement, as the Assistant Secretary for Administration and Management serves as the CAO while retaining other significant non-acquisition responsibilities. Until procurement and programmatic responsibilities are properly separated and effective controls are put in place, the Department will continue to be at risk for wasteful and abusive procurement practices.

DEPARTMENT'S PROGRESS: In January 2007, then-Secretary of Labor Chao issued Order 2-2007, which formally established the position of CAO within DOL. This Order specifically stated that the CAO will have acquisition management as a primary duty. Further, the Order emphasized that the CAO will report to the Secretary with day-to-day guidance from the Deputy Secretary and that the CAO will have responsibility for overseeing other Department acquisition activities. However, the Department is not in compliance with the full intent of SARA, as the delegated CAO continues to perform many other duties unrelated to acquisition management, such as serving as the Department's Chief Information Officer and overseeing the Department's budget operations. The new DOL leadership is considering its options regarding compliance with the requirements of SARA.

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

OVERVIEW: The Department's Foreign Labor Certification (FLC) programs provide United States (U.S.) employers access to foreign labor to meet worker shortages under terms and conditions that do not adversely affect U.S. workers. The permanent labor certification program allows an employer to hire a foreign worker to work permanently in the United States, if a qualified U.S. worker is unavailable and the employment of the foreign worker will not adversely affect the wages and working conditions of similarly employed U.S. workers. The H-1B program allows the Department to certify employers' applications to hire temporary foreign workers in specialty occupations such as medicine, biotechnology, and business. The H-2B program permits employers to hire foreign workers to come temporarily to the United States and perform temporary non-agricultural labor on a one-time, seasonal, peak load, or intermittent basis.

CHALLENGE FOR THE DEPARTMENT: Maintaining the integrity of its FLC programs, while also ensuring a timely and effective review of applications to hire foreign workers, is a continuing challenge for the Department.

OIG investigations, initiated on referrals from ETA, other law enforcement and non-law enforcement entities, as well as on pro-active OIG efforts, continue to uncover schemes carried out by immigration attorneys, labor brokers, and transnational organized crime groups, some with possible national security implications. OIG investigations have repeatedly revealed schemes involving fraudulent applications filed with DOL on behalf of fictitious companies, and those wherein fraudulent applications were filed using the names of legitimate companies without their knowledge. Additionally, OIG investigations have uncovered complex schemes involving fraudulent DOL FLC documents filed in conjunction with or in support of similarly falsified identification documents required by other Federal and state organizations.

From an audit standpoint, the OIG has looked at how the Department is challenged to maintain the integrity of the FLC programs. In a prior audit of the Department's FLC programs, we found ETA's statutory role in the H-1B program to be limited by law to a perfunctory review of applications. ETA is required to approve an H-1B application if the form is complete and free of obvious errors, which amounts to a review function without any meaningful impact. In addition, a recent OIG audit of the ETA's iCert H-1B Labor Condition Applications processing system found that system improvements are needed to better identify incomplete and/or obviously inaccurate labor condition applications.

In March 2005, ETA created the PERM (Permanent Electronic Review Management) system which removed the states from a direct role in reviewing and auditing applications for permanent foreign labor certification, eliminated the 100 percent review of such applications, and established a sampling and targeting approach to auditing applications to ensure compliance with the law and program requirements. An OIG audit of the PERM system found that ETA had discontinued certain types of audits. We also found that ETA had not conducted audits of all the applications selected for audit. As a result, ETA may have certified fraudulent applications or applications that did not meet required criteria. Certifying labor applications for foreign workers who were not eligible for employment could negatively affect the U.S. workforce by reducing the number of jobs available for U.S. workers.

DEPARTMENT'S PROGRESS: The OIG and the Department have been working collaboratively to identify and reduce fraud in the FLC process by providing training and instruction to ETA personnel on better and more creative ways of identifying and referring to the OIG possible labor-related fraud. In March 2008, ETA's Office of Foreign Labor Certification launched its Fraud Detection and Prevention Unit designed to recognize application fraud by reviewing for inconsistencies, errors, and omissions. The OIG continues to work closely with ETA's fraud unit, which, as a presenter at the OIG's recent investigator training conference, provided program insight and ideas for better addressing fraud uncovered in its programs.

In the first quarter of FY 2009, the Department began a review to determine the feasibility of reinstituting the audits it had previously discontinued doing and is conducting audits as resources permit. The Department has also implemented other protocols to protect program integrity, including steps to ensure that all audits of applications identified for audit are actually conducted, and having experienced analysts manually review all applications.

CHALLENGE: Securing Information Technology Systems and Protecting Related Information Assets

OVERVIEW: DOL systems contain vital sensitive information that is central to the Department's mission and to the effective administration of its programs. DOL systems are used to determine and house the Nation's leading economic indicators, such as the unemployment rate and the Consumer Price Index. They also maintain critical data related to worker safety and health, pension and welfare benefits, job training services, and other worker benefits. The Congress and the public have voiced concerns over the ability of government agencies to provide effective information security and to protect critical data.

CHALLENGE FOR THE DEPARTMENT: Management of information technology (IT) systems is a continuing challenge for DOL. Keeping up with new threats, IT developments, providing assurances that IT systems will function reliably, and safeguarding information assets will continue to challenge the Department today and in the future.

The OIG's IT audits have identified access controls, oversight of contractor systems, and the effectiveness of the Chief Information Officer's oversight of the Department's full implementation of mandatory, minimum information security controls as DOL's most significant challenges. The OIG has reported on access control weaknesses over the Department's major information systems since FY 2001. These weaknesses represent a significant deficiency over access to key systems and may permit unauthorized users to obtain or alter sensitive information, including unauthorized access to financial records.

In light of these challenges, the OIG continues to recommend the creation of an independent Chief Information Officer (CIO) to provide exclusive oversight of all issues affecting the IT capabilities of the Department. Accountability can be further enhanced by developing and implementing new reporting lines of communication for the Chief Information Security Officer (CISO) and the Component Program Information Security Officers (CPISOs). These new communication lines will require the CISO to report directly to both the CIO and an Executive in the Secretary's Office dealing with major security matters, including progress on maintaining an effective Department-wide information security program. The CPISOs would continue to report directly to their respective component program Assistant Secretary while also reporting to DOL's CISO. These steps will help to establish a greater degree of accountability for an overall effective information security program.

DEPARTMENT'S PROGRESS: The Department is continuing to take steps to improve the security of its information systems by focusing on security controls identified as having the greatest risks throughout the Department, such as access controls and configuration management. The Department's CIO issued updated policy to implement minimum security controls developed by the National Institute of Standards and Technology and required by the Federal Information Security Management Act (FISMA) in those areas. The Department's CISO plans to focus testing on the technical and operational controls identified as having the greatest risks throughout the Department.

CHALLENGE: Ensuring the Security of Employee Benefit Plan Assets

OVERVIEW: The Department's mission is to protect the security of retirement, health, and other private-sector employer-provided benefits for America's workers, retirees, and their families. These benefit plans consist of approximately $5.6 trillion in assets covering more than 150 million workers and retirees. EBSA is charged with overseeing the administration and enforcement of the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA).

CHALLENGE FOR THE DEPARTMENT: Protecting these benefit plan assets against fraud, misconduct, and negligence is a challenge for the Department. OIG labor racketeering investigations demonstrate the continued vulnerability of plan assets to criminal activity. The Department is further challenged by its restricted authority to oversee plan audits, ERISA's limited scope audit exemption, and inadequate assessments of program effectiveness.

Employer benefit plan audits by independent public accountants provide a first-line defense for plan participants against financial loss. Ensuring that audits by independent public accountants meet quality standards adds to the Department's challenge in providing adequate oversight. However, DOL's authority to require plan audits to meet standards remains limited, because the Department does not have the authority to suspend, debar, or levy civil penalties against employee benefit plan auditors who perform substandard audits. The Department must obtain legislative change to address deficient benefit plan audits and ensure that auditors with poor records do not perform additional plan audits.

Further, OIG investigations have shown that benefit plan assets remain vulnerable to labor racketeering and organized crime influence. Those pension plans, health plans, and welfare benefit plans comprise hundreds of billions of dollars in assets. Dishonest benefit plan service providers, including accountants, investment advisors, and plan administrators, continue to be a strong focus of OIG investigations, as well as corrupt union officials and organized crime members.

Another challenge involves EBSA's ability to assess the effectiveness of its civil enforcement programs. Our recent audit found that EBSA could not determine whether its civil enforcement projects, such as the Multiple Employer Welfare Arrangements project, were increasing compliance with the ERISA, or whether the projects were decreasing the risk that workers will lose benefits. We also found that EBSA could not clearly demonstrate it was directing its resources to the enforcement areas with the most impact on its mission to deter and correct ERISA violations. Each EBSA regional office differed in its interpretation of enforcement program impact and desired outcomes because EBSA Headquarters did not provide clear guidance on intended enforcement outcomes. As a result, the allocation of resources differed among the regional offices and agency resources may not have been directed at areas with the most impact.

OIG's audit of EBSA's Rapid ERISA Action Team (REACT) project found similar challenges. In the REACT project, EBSA aims to respond in an expedited manner to protect the rights and benefits of plan participants when the plan sponsor faces severe financial hardship or bankruptcy and the assets of the employee benefit plan are in jeopardy. The audit concluded that EBSA does not have a comprehensive method for measuring the desired activities and outcomes of the REACT project, and does not perform a national assessment to judge the value of the REACT project in meeting its overall enforcement mission.

DEPARTMENT'S PROGRESS: While the Department has sought the recommended legislative changes, such as expanding the authority of EBSA to address substandard benefit plan audits and ensuring that auditors with poor records do not perform additional plan audits, these changes have not been enacted. In response to OIG's audit report on the effectiveness of its civil enforcement projects, EBSA agreed that objectives for these projects could be more clearer; however, it disagreed with the recommendation to establish performance measures that evaluate each civil enforcement project's outcomes versus the stated objective, and with the recommendation to develop guidance for allocating enforcement resources based on intended outcomes and actual performance results.

Changes from Last Year

Changes to the Top Management Challenges from FY 2008 include a revised management challenge previously entitled, "Improving the Federal Employees' Compensation Act Program," which has been renamed to "Improving the Management of Workers' Compensation Programs." Our revised title incorporates concerns regarding the Federal Employees Compensation Act Program as well as the Energy Employees Occupational Illness Compensation Program. As discussed below, we removed the challenge entitled, "Preserving Departmental Records."

Preserving Departmental Records

Preserving Departmental Records was previously discussed in our FY 2008 Top Management Challenges. The Department took prompt action in responding to the multiple concerns we reported. This included providing annual training to all DOL employees; issuing guidance on the preservation of records, proper disposal of records, and management of electronic and hard copy records; and updating its cost-benefit analysis regarding the establishment of an electronic recordkeeping and document management system. As a result of the corrective actions taken by DOL management, we have removed this item from the list of Top Management Challenges.

Management's Response to the 2009 Top Management Challenges

The Department's responses and presentation of its progress on the Top Management Challenges are shown as actions and planned actions to address each challenge and are displayed below. The tables also include information from Government Accountability Office (GAO) audits and planned actions identified for FY 2009 from the FY 2008 PAR. The table's three columns break out the Management Challenges into specific issues (left column), actions taken in FY 2009 (center column), and actions remaining/expected completion date (right column). Throughout the past year, the Department closely tracked its progress in addressing the Top Management Challenges, with agencies reporting quarterly on their corrective actions. Also included is a progress assessment for FY 2009 using a stoplight system: ●Green – Actively Implementing All Remedial Actions; ●Yellow – Actively Implementing Most Remedial Actions; and, ●Red – Not Implementing Most Remedial Actions. Additional information on many of these management challenges and their specific issues is in the performance goal narratives. The Department aggressively pursues corrective action for all significant challenges, whether identified by the OIG, GAO, the Office of the Chief Financial Officer (OCFO), or other sources within the Department.

CHALLENGE: Implementing the American Recovery and Reinvestment Act of 2009

DEPARTMENT'S RESPONSE: This challenge was first identified in FY 2009, and affects all Strategic Goals. Following are DOL FY 2009 actions, remaining actions, and expected completion dates for challenges identified by the OIG, GAO, and DOL.

DOL's Assessment of Progress: ●**Green.**

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Implement Recovery Act Performance Reporting Requirements. (OIG Report 06-09-003-07-001) Report on the number and percent of participants who receive industry-specific training and employment under the WIA Adult and Dislocated Worker programs.	Refer to "Actions Remaining and Expected Completion Dates."	Develop and issue report on Recovery Act funded WIA Adult and Dislocated worker programs, including the number and percent of participants by occupation of training – Sept 2010. Report to be updated to provide entered employment numbers and rates – June 2011.
Establish and implement internal controls for conducting data quality reviews of recipient reporting in advance of the OMB October deadline.	Issued four Recovery Act Contract Recipient Reporting guidance memoranda to the DOL acquisition community as required by the Recovery Act.	Completed.
Update Risk Management Plans to ensure that program-specific risks are included.	Refer to "Actions Remaining and Expected Completion Dates."	Ensure that all final Recovery Act risk plans include program-specific risks and that the performance measures in program-specific Recovery Act plans are consistent with the Risk Management requirements in OMB's April 3, 2009 Recovery Act guidance. Coordinate changes to plans, as necessary, with OMB – Dec 2009.

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Implement procedures for accounting and reporting financial activity under Recovery Act (OIG Report 18-09-002-01-001)	Took the necessary steps to account for the $44.9 billion received in Recovery Act funds. Issued ETA guidance letter on recipient reporting.	Completed.
Administer the extension and subsidization of COBRA for certain groups of eligible laid off workers. (OIG Report 18-09-003-12-001)	Conducted extensive outreach, education, participant and compliance assistance programs and promulgated, under very tight time frames, model notices and regulations covering changes in COBRA eligibility and the Recovery Act's new premium assistance provisions.	For the duration of the law, which will sunset on December 31, 2009, EBSA will continue its outreach and education programs – Dec 2009.
Ensure all local one-stop centers have COBRA premium assistance information available.	Refer to "Actions Remaining and Expected Completion Dates."	ETA will issue a change to their Training and Employment notice to clarify that One Stop Centers should display EBSA's COBRA/ARRA flyers and materials – Oct 2009.
Assess outreach effectiveness by using data from enforcement investigations.	On September 4, 2009, EBSA instructed Regional Directors to report any violations of the requirement to provide ARRA COBRA notices to eligible participants and beneficiaries.	Completed.
Develop a contingency plan with specific resource plans for meeting the 15-day requirement in case of system failure or undesirable events.	Regional Directors were instructed in a memorandum dated May 14, 2009, to adjust their allocation of personnel and other resources as necessary to meet the demand created by the COBRA premium reduction program.	Completed.
Improve controls in the EBSA Technical Assistance Information System (TAIS) determination dates to ensure that determination dates in the TAIS match with the dates on the determination letter received by applicants.	The TAIS system has been corrected so that the date on the letter is changed to the date that the letter was mailed or faxed.	Completed.
Revise the current version of the final determination letter by moving up the notification of the decision to the beginning of the appellant's letter.	EBSA revised the letters by amending the subject line to indicate the determination made.	Completed.
Hiring and training personnel necessary to process appeals in a timely manner.	EBSA developed and implemented a program that provides for expedited review of COBRA premium subsidy denials. EBSA followed a detailed hiring plan to ensure appropriate staffing levels for the program and is processing approximately 95 percent of expedited reviews in 14 days or less.	EBSA has demonstrated its ability to complete expedited reviews in a timely manner and will continue to do so. EBSA has sufficient levels of trained staff to handle inquiry volume, processing of expedited review applications and maintaining the program – FY 2010.

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Ensure that the Federal Additional Compensation (FAC) benefits are accounted for correctly. (OIG Report 18-09-004-03-315)	Enhanced the system for State monthly reporting on Federal Additional Compensation Benefit payments (ETA 2112 report). Compared the weekly funds drawn-down by States for the $25 supplement shown in Treasury's Federal Additional Unemployment Compensation account with the ETA report.	Continue to review and address any accounting and reporting discrepancies – FY 2010.
	Conducted comprehensive reviews of States' Federal Additional Compensation implementation.	Collect and discuss review findings with the States to determine appropriate action(s) – FY 2010.
		Follow up with each of the applicable states to ensure that they complete the required programming for income tax withholding and identify recover and report FAC overpayments – FY 2010.
		Issue guidance to all states to reaffirm FAC requirements – FY 2010.
Demonstrate that grants are properly awarded, funds are properly spent, and these investments achieve their intended outcomes. (reference OIG letter above)	Announced Solicitations for Grant Applications for Green Jobs Training and Healthcare, High Growth and Emerging Industries.	Facilitate award of Green Jobs grants and Healthcare, High Growth and Emerging Industries grants after the solicitation closing dates of Sept 2009 and Oct 2009, respectively – FY 2010.
	Awarded 75 YouthBuild grant awards funded by Recovery Act.	Completed.
	Obligated all WIA, Wagner-Peyser Act, Dislocated Worker National Reserve, Senior Community Service Employment Program, and Indian and Native American Program grants in March 2009.	Completed.
	Incorporated precise contracting language in initial award of grants to ensure proper execution of funds awarded.	Implement a rigorous Recipient Reporting System to collect data on the use of Recovery Act funds at the program service level for online public review – FY 2010.
	Using regional readiness reports, created training modules for Federal Project Officers to increase their effectiveness in providing Recovery Act services and collecting Recovery Act data.	Monitor the progress of these investments to ensure they yield intended outcomes – FY 2010.

CHALLENGE: Protecting the Safety and Health of Workers

DEPARTMENT'S RESPONSE: This challenge, which was first identified in FY 2005, affects Strategic Goal 3 – Safe and Secure Workplaces. The following are DOL FY 2009 actions, remaining actions, and expected completion dates to challenges identified by the OIG, GAO, and DOL.

DOL's Assessment of Progress: ● **Yellow.**

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Provide guidance on performance-based criteria for acceptable alternatives to underground wireless communications. (Significant issue from previous PAR)	Issued Program Policy Letter No. P09-V-01, *Guidance for Compliance with Post-Accident Two-Way Communications and Electronic Tracking Requirements of the Mine Improvement and New Emergency Response Act (MINER Act)*, on January 16, 2009.	Completed.
Publish final rules on refuge alternatives and fire retardant properties of belt material. (Significant issue from previous PAR)	On December 31, 2008, published final rules on refuge alternatives and fire retardant properties of belt material.	Completed.
Review Emergency Response Plans (ERPs) every six months. (Significant issue from previous PAR)	Completed evaluations of all ERPs, ventilation, and roof control plans that were due for six-month review.	Ongoing.
Strengthen MSHA accountability program and Office of Accountability to monitor the implementation of management controls. (Significant issue from previous PAR)	Continued to strengthen the Office of Accountability to provide focused oversight and examination of existing enforcement programs, as well as to ensure that management and employees are accountable for performance. Issued revised Accountability Handbook.	Implement the Revised Handbook and Program – FY 2010.
Ensure the consistency and rigor of the process to review and approve roof control plans. Re-evaluate roof control plans for all mines. (Significant issue from previous PAR)	Documentation on an improved roof control plan approval process has been provided to the OIG to close the recommendation.	Completed pending OIG review.
Issue revised Metal and Nonmetal General Inspection Procedures Handbook. (Significant issue from previous PAR)	Published the *Metal and Nonmetal General Inspection Procedures Handbook* in March 2009.	Completed.
Replace retiring mine inspectors. Implement localized and targeted recruiting to increase the applicant pool. Implement Human Resources Strategic Plan FY 2006 -2011 for hiring new mine inspectors. (Significant issue from previous PAR)	MSHA conducted 23 job fairs (12 for Coal and 11 for M/NM) for hiring of inspectors in targeted localities.	Continue to implement MSHA staffing plan for addressing efforts to attract and retain specialists – FY 2010.

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Address the concern that MSHA has improved its efforts in inspecting mines at the cost of not fulfilling other statutory responsibilities. (Reference OIG Letter above)	The Administrator for Coal Mine Safety and Health issued a memo on June 2, 2009 to ensure timely mine plan reviews, including a staffing plan addressing hiring and efforts to attract and retain specialists. In addition, an effort is underway to increase the speed in which mine plans are reviewed by using an electronic uniform mine file.	Increase the speed of mine plan reviews by using an electronic uniform mine file – FY 2010.
Establish a written plan for eliminating the current backlog of overdue mine plan reviews and maintaining timely reviews in the future. (OIG Report No. 05-09-002-06-001)	Provided documentation on overdue mine plan reviews to the OIG to close the recommendation.	Completed pending OIG review.
Form an OSHA Enhanced Enforcement Program (EEP) Task Force to make recommendations to improve program efficiency and effectiveness. (OIG report No. 02-09-203-10-105).	Created task force in April 2009.	Completed.
Revise the EEP directive to address issues with prior qualifying history and designation and to provide specific criteria when National Office EEP Alert Memoranda are to be issued. (OIG report No. 02-09-203-10-105)	Revised EEP directive, now referred to as the Severe Violators Enforcement Program.	Completed.
Develop and distribute a crosswalk to Federal OSHA citations for State standards that have different coding than Federal OSHA Standards. (OIG report No. 02-09-203-10-105)	Refer to "Actions Remaining and Expected Completion Dates."	Develop and distribute crosswalk, conditional on priorities and funding – Oct 2011.
Develop a documentation policy for information on actions taken by OSHA's regions in response to fatalities and serious injuries at Voluntary Protection Programs (VPP) sites. (GAO-09-395)	Agency head issued memorandum August 3, 2009 on *Improving the Administration of VPP*, which detailed a documentation policy for information on actions taken by OSHA's regions in response to fatalities and serious injuries at VPP sites.	Completed.
Establish internal controls that ensure consistent compliance by OSHA Regions with VPP policies. (GAO-09-395)	The August 3 memorandum directed all personnel to follow the policies and procedures published in the *VPP Policies and Procedures Manual*, CSP 03-01-003, April 18, 2008, and the VPP *Federal Register* Notice, 74 FR 927, January 9, 2009.	Modifications to current VPP procedures are being reviewed and will be modified as necessary – Sept 2010.
Develop goals and performance measures for the VPP. (GAO-09-395)	The August 3 agency head memorandum will enhance consistency in implementing VPP policy and procedures and help provide sound information as a basis for considering appropriate goals and measurements for VPP.	Explore additional ways to measure participant performance and program impact – Sept 2010.

CHALLENGE: Improving Performance Accountability of Grants

DEPARTMENT'S RESPONSE: This challenge, first identified in FY 2007, affects Strategic Goal 1: A Prepared Workforce and Goal 2: A Competitive Workforce. **The** following are DOL FY 2009 actions, remaining actions, and expected completion dates to challenges identified by the OIG, GAO, and DOL.

DOL's Assessment of Progress: **Yellow.**

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Evaluate the usefulness of individual grant products or the overall effectiveness of ETA discretionary grant initiatives. (Reference OIG letter above)	Commissioned independent evaluations of demonstrations and initiatives as funding allowed. Three High Growth Job Training Initiative (HGJTI) grant evaluations are underway. Required HGJTI grantees to demonstrate clear and specific outcomes.	Conduct evaluations of newer high growth awards for Science, Technology, Engineering and Math skills and Older Workers. These evaluations will provide continual assessment of these grants—Sept 2010.
	Ensured that grant products were reviewed and disseminated as appropriate; products are not useable by audiences other than the grantee were sent send back to the grantees for modification.	Continue to ensure that results are distributed to other grantees and the workforce system – Ongoing.
	Required all grant applicants to include outcome projections. Grantees report progress on meeting outcomes quarterly.	Continue to require all grant applicants to include outcome projection – Ongoing.
Monitor third party evaluations of High Growth Job Training Initiative (HGJTI), Community Based Job Training Grants (CBJTG), and Workforce Innovation in Regional Economic Development (WIRED) training grants and identify any interim successes and findings. (Significant issue from previous PAR)	Monitored third-party evaluation of implementation and net impacts of activities at five selected HGJTI sites.	Issue evaluation report on activities at five selected HGJTI sites – Nov 2009.
	Monitored third-party evaluation of CBJTGs, describing characteristics of grants awarded through the end of FY or PY 2008.	Issue evaluation report on CBJTGs – Oct 2009. Complete evaluation of other aspects of CBJTGs – Dec 2010.
	Monitored third-party evaluations of the WIRED Generation I and II.	Release interim reports from the WIRED evaluation – Feb 2010.
		Evaluate other aspects of WIRED grants – Dec 2011.
Provide adequate oversight and monitor grants. ETA lacks reliable and timely performance data that would allow identification of problems in time to correct them. (Significant issue from previous PAR)	The Workforce Investment Streamlined Performance Reporting (WISPR) system, for the Workforce Investment Act title I, Wagner-Peyser Act, and the Trade Adjustment Assistance Act, which was approved by OMB for implementation in July 1, 2009, was not implemented.	Resolved pending decision on whether to implement WISPR, in light of concerns about priorities and budgeting – Sept 2010.
Collect Common Measures data and compute results. (Significant issue from previous PAR)	Collected and computed Common Measure results for High Growth and Community and began collecting and computing results for WIRED grantees.	Require all grant applicants to report progress on meeting Common Measures outcomes quarterly – Ongoing.

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Monitor grantee compliance with OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations", and enforce this requirement in grant packages. (Significant issue from previous PAR)	Completed reviews and identified delinquent status findings.	Review audit status as part of the Core Monitoring process and include any delinquent status as a finding requiring follow-up and compliance by grantees – Ongoing.
Use electronic reports to track and evaluate grantees' actual cash needs. (Significant issue from previous PAR)	Trained Federal Project Officers in the use of electronic reports in tracking and evaluating grantees' actual cash needs.	Continue to train Federal Project Officers in use of the SF-9130, used to report expenditures charged against grant awards made by ETA, as a management tool for evaluating grantee cash as needed – Ongoing.
	Used the SF9130 (electronic report) to evaluate the cash needs of CBJTGs and WIRED grantees.	Use electronic reports in evaluating grantees' cash needs – Ongoing.
Train Grant Officers on reviewing Statements of Work and other areas of grant operations. (Significant issue from previous PAR)	Trained Grant Officers in reviewing Statements of Work and other areas of grant operations.	Train Grant Officers in reviewing Statements of Work and other areas of grant operation – Ongoing.
Issue plan for technical assistance to grantees and provide technical assistance to grantees. (Significant issue from previous PAR)	Developed and implemented a technical assistance plan. Held 15 on-line classes and issued the Training and Employment notice in June.	Provide technical assistance to grantees as new grants are awarded – Ongoing.
	Provided indirect cost training classes to grantees in the Chicago, Atlanta, and Boston regions. Materials were posted to the workforce3one Web site.	
Conduct pilot test of 3½ Day Training Course and Web-based tutorial for Federal Project Officers (FPO) and conduct additional FPO training sessions. (Significant issue from previous PAR)	Conducted FPO pilot test of 3½ Day Training Course in January.	Completed.
	Held seven 3½ day training sessions for approximately 210 grantees and posted Web-based tutorials.	
Conduct fiscal and program reviews of Generation II WIRED grantees. (Significant issue from previous PAR)	Conducted fiscal and program reviews of Generation II and III WIRED grantees.	Complete fiscal monitoring reviews of all three generations of WIRED grantees – Dec 2009.
	Transferred monitoring authority for WIRED grants completely to the corresponding Regional Offices, consistent with other grant management efforts.	Programmatic monitoring is scheduled in each region throughout the fiscal year – Ongoing.
Conduct FPO training on grant monitoring, particularly documentation required of grantees. (Significant issue from previous PAR)	3½ day training sessions and Web-based tutorials included Federal Project Officer training on grant monitoring and documentation required.	Completed.
Send follow-up letters to grantees who continue to be delinquent. (Significant issue from previous PAR)	Put process in place to monitor delinquent grantees and send follow-up letters on a regular basis.	Completed.

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Codify standard operating procedures into Procedures Manuals. (Significant issue from previous PAR)	Updated procedures in Procedures Manuals to include steps for sending delinquent notices to grantees once the list has been received from accounting.	Completed.

CHALLENGE: Ensuring the Effectiveness of the Job Corps Program

DEPARTMENT'S RESPONSE: This challenge affects Strategic Goal 1 – A Prepared Workforce. The following are DOL FY 2009 Actions, remaining Actions, and expected completion dates to challenges identified by the OIG, GAO, and DOL.

DOL's Assessment of Progress: ●**Green.**

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Promote effective regional monitoring, including ensuring that contractors provide accurate performance data. (Significant issue from previous PAR)	Regional Offices conducted center assessments and monitoring. *Improve data integrity* was added to Regional Director performance standards. Conducted technical compliance and fiscal reviews of 66 Option Year Contracts for PY 2008.	Ongoing.
Conduct rigorous data integrity audits concurrently with onsite compliance/quality assessments. (Significant issue from previous PAR)	Performed data integrity audits of Outreach and Admission, Center, and Career Transition Service contractors at least once every 24 months, resulting in recovery of $146,507 in liquidated damages for July 2008-June 2009.	Conduct rigorous data integrity audits concurrently with onsite compliance/ quality assessments – Ongoing.
Atlanta Regional Director will increase monitoring efforts at the Oconaluftee Job Corps Center operated by the USDA. (Significant issue from previous PAR)	The Atlanta Regional Director personally conducted two monitoring visits to the Oconaluftee Job Corps Center, meeting with staff and students about operations and services.	Continue desktop monitoring – FY 2010.
Ensure student safety and health. (Significant issue from previous PAR)	Published numerous notices on safety and health, released the revised safety section for the Policy Requirements Handbook, and published Safety Circle newsletters. Conducted 87 Occupational Safety and Health Reviews, 33 Safety and Health Plan Reviews, and 15 pre-occupancy inspections. Assisted over 3,200 callers/emails and held a National Job Corps Safety Conference.	Ongoing.
Enforce the Zero Tolerance Policy against violence and drugs. (Significant issue from previous PAR)	In PY 2008, Job Corps terminated 7,369 students for Zero Tolerance policy infractions.	Ongoing.

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Assess training options to offer more career training that is both attractive to females and that could lead to careers that will enable them to become self-sufficient. ([GAO-09-470](GAO-09-470), June 2009)	Aligned training programs with industry-endorsed standards and certifications so students, including females, have the skills employers require across eleven high-growth industry sectors.	Research new and emerging industries more responsive to changes in global and local labor markets for the entire Job Corps Student population including females – Sept 2010.
Continue to explore innovative ways of informing applicants and their families/guardians about the services and expectations regarding the Job Corps program at each center. Explore cost-effective options to creating a center-specific video for all Job Corps centers. Develop a DVD that will combine center video footage and center-specific still photography. ([GAO-09-470](GAO-09-470), June 2009)	Developed information sheets for each Career Technical Training area to inform students about what they can expect to learn, certifications available, length of training, and earnings potential. The sheets also include center rules and regulations.	Continue to explore innovative ways of informing applicants and their families about the services and expectations regarding the Job Corps programs at each Center – FY 2010.
	Determined most cost-effective methods to create Center specific videos on a program overview, Career Pathways, and life at the centers.	Create Center-specific outreach materials – Sept 2010.

CHALLENGE: Safeguarding Unemployment Insurance

DEPARTMENT'S RESPONSE: This challenge was first identified in FY 2000 and it affects Strategic Goal 4 – Strengthened Economic Protections. The following are DOL FY 2009 actions, remaining actions, and expected completion dates to challenges identified by the OIG, GAO, and DOL.

DOL's Assessment of Progress: ● **Green.**

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
States not already implementing National Directory of New Hires (NDNH) cross-matching should include Corrective Action Plans in their FY 2009 State Quality Service Plans. (Significant issue from previous PAR)	Requested Corrective Action Plans from the two States not completing cross-matching agreements with DHS.	Agencies that have not fully implemented Benefit Accuracy Measurement matching with NDNH will be required to submit a Corrective Action Plan as part of their FY 2010 State Quality Service Plan – FY 2010.
Develop web services architecture and test plan documentation for the Separation Information Data Exchange System (SIDES) and initiate system testing and user training in the six consortium States. (Significant issue from previous PAR)	Worked with the six-state consortium and employers to develop protocols and procedures required for implementation and began SIDES testing.	Implement SIDES – Dec 2010.
Promote State use of a variety of databases – UI Interstate Benefits Inquiry application, Social Security, Alien Verification for Entitlement, Department of Motor Vehicles, and Department of Corrections – to prevent and detect improper UI benefit payments. (Significant issue from previous PAR)	National and Regional Office staff promoted the use of databases during on site Benefit Payment Reviews.	Conduct a Webinar to provide technical assistance and promote use of a variety of databases to initiate the use of the cross matches – Sept 2010.

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Develop policy and legislative language for 2009 integrity proposals and conduct an Integrity Conference for State UI agencies. (Significant issue from previous PAR)	Planned UI Integrity Conference.	Conduct UI Integrity Conference – May 2010.
	Proposed legislative changes to provide States with new tools to collect benefit overpayments and boost their resources to address overpayments and UI tax evasion.	Completed.
Conduct annual verifications of State Workforce Agencies' (SWAs) IT contingency plans for existence and reliability using risk-based approaches that consider the SWAs' contingency planning maturity and likelihood of disasters. (OIG Report No. 23-09-002-03-315)	Obtained estimates that annual verifications would require about $19M in the initial year with lower on-going annual costs for updating, maintaining and testing.	Review State requests for additional funds to improve their IT Contingency Plans and provide funding if warranted – FY 2010.
	Issued Unemployment Insurance Program Letter 24-04, Change 3 providing IT security guidance. A CD and Executive Manager's paper were included.	
	Sent letters to 10 high-risk States with incomplete IT contingency plans to encourage them to request supplemental funds to improve their IT contingency preparedness. Several submitted requests for funding that are being reviewed.	
	Updated Employment and Training Handbook No. 336 to incorporate IT Contingency Planning.	
Update the current Review Guide to include specific review steps addressing the States' use of NDNH for the Benefit Payment Control cross match process to include an assessment of the filtering process for the NDNH crossmatch and validate the data reported by the States. (OIG Report 06-09-002-03-315)	Updated the Review Guide, including procedures for reviewing States' use of NDNH, assessment of the filtering process, and validation of data reported for NDNH and other data matching tools.	Issue updated Review Guide – FY 2010.
Require SWAs to submit quarterly ETA 227 Reports that include a line item for NDNH cross match results. (OIG Report 06-09-002-03-315)	The ETA 227 Report, Overpayment Detection and Recovery Activities, captures data matching results from both State Directory of New Hires as well as the NDNH results in a single line item. Changes to existing reporting requirements require OMB clearance and would impose new costs on States.	Assess the cost-benefit of modifying this report to include a separate line item to report the NDNH cross match results – FY 2010.
Continue to pursue legislation to define the "Date of Hire" and mandate its reporting by employers. (OIG Report 06-09-002-03-315)	The Department supports the inclusion of Date of Hire language in UI Integrity or other appropriate legislation.	Ongoing.

CHALLENGE: Improving Workers' Compensation Programs

DEPARTMENT'S RESPONSE: This challenge, which affects Strategic Goal 4 – Strengthened Economic Protections, was first identified in FY 2005. Following are DOL FY 2009 Actions, Remaining Actions, and Expected Completion Dates to Challenges Identified by the OIG, GAO, and DOL.

DOL's Assessment of Progress: ●Green.

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Implement a Unified Energy Case Management System (UECMS) that will allow more effective monitoring of case progress and timely outcomes. (OIG Report No. 04-09-002-04-437)	Development of UECMS continued on schedule, concurrently with enhancements to the current system.	Obtain additional contracts to complete implementation of the Unified Energy Case Management System – FY 2010.
Explore the potential for developing formal Memorandum of Under-standing (MOU) with the other agencies which have EEOICPA responsibility. (OIG Report No. 04-09-002-04-437)	Carried out discussions to develop formal agreements with partner Agencies with a shared goal of improving efficiency.	Continue to work with partner agencies to identify opportunities for improvement and implement a formal MOU for this – Sept 2010.
Establish an overall performance measure for the timeliness of claims processing as well as delineating more milestones and goals for the initial processing phase. (OIG Report No. 04-09-002-04-437)	Added *timelines for claims processing for different types of claims (specific medical conditions, NIOSH time, etc.)* to the Energy Program Web site and updated these performance measures quarterly – including time from receipt of a claim to final adjudication.	Update the Energy Program FY 2010 operational plan to add additional goals and milestones for the initial processing phase – Oct 2010.
Pursue multiple sources of information to develop evidence to establish an EEOICPA claim simultaneously, rather than one source at a time. (OIG Report No. 04-09-002-04-437)	Issued policy guidance on March 1, 2009 detailing procedures for expedited collection of employment information from SSA.	Begin requesting National Institute for Occupational Safety and Health (NIOSH) records and employment verification at the same time when possible, avoiding delays caused when NIOSH has to gather information from DOE after receipt of a claim from DOL – Dec 2010.
Deploy UECMS to provide a platform that will support more substantial electronic communications, such as case imaging and internet access to case status.	Development of UECMS continued on schedule, concurrently with additions to the current system.	Deploy UECMS – FY 2010. UECMS imaging begins – FY 2011.
Give the Resource Centers increased access to UECMS information to allow them to provide more detailed case status information to all claimants. (OIG Report No. 04-09-002-04-437)	Developed a modified UECMS interface for the Resource Centers to allow them to provide more detailed case status information. Procedures were released and training conducted January 5, 2009.	Completed.
Reduce improper FECA payments. Ensure that medical information for claimants is current so payments are not made to those who are no longer disabled. Monitor and adjust the Integrated Federal Employees Compensation System (iFECS) as necessary. (Significant issue from previous PAR)	Developed and deployed a series of e-Learning training modules to emphasize appropriate case actions necessary to conduct periodic entitlement reviews.	Completed.

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Create a FECA electronic form to quickly report the return to work without a paper form and mailing. (Significant issue from previous PAR)	Implemented electronic form in June 2009.	Completed.
Collect information in iFECS to analyze potential FECA erroneous payments, including reason codes. (Significant issue from previous PAR)	Completed iFECS modifications to include information to analyze potential erroneous payments including reason codes.	Analyze potential erroneous payments using information from iFECS – FY 2010.
Analyze FECA underpayments and overpayments to identify training needs and consider establishing corresponding performance goals. (Significant issue from previous PAR)	Analyzed underpayments and overpayments to identify training to improve performance.	Establish new performance goals – March 2010.
Revise FECA program performance measures to emphasize payment accuracy, internal controls, and overpayment recoveries and collect more detailed information on improper payments to better identify improper payment risks and to address areas of high risk. (Significant issue from previous PAR)	Revised FECA performance indicators to emphasize payment accuracy, internal controls, and overpayment recoveries. Collected more detailed information on improper payments to better identify improper payment risks and to address areas of high risk.	Completed.
Create a FECA training module addressing pay rates and initial payments to improve accuracy. (Significant issue from previous PAR)	Developed and deployed an e-Learning training module addressing pay rates and initial payments.	Completed.
Enhance iFECS to notify the user when FECA payment is being made on a claim with an existing overpayment or if the claimant has an overpayment in another case. (Significant issue from previous PAR)	Requirements and analysis for software modifications have been completed and are scheduled for deployment as part of iFECS Release 27.0.	Completed.
Seek legislative reforms to discourage unsubstantiated claims and make other improvements, including matching of FECA payment records with SSA records. Work with Congress to adopt FECA legislative reform proposal. (Significant issue from previous PAR)	The FECA legislative reform package was proposed in the FY 2009 President's Budget but not adopted by Congress. The proposal is not included in the FY 2010 Budget.	Ongoing.

CHALLENGE: Improving Procurement Integrity

DEPARTMENT'S RESPONSE: This challenge was first identified in FY 2005 and affects all four Strategic Goals. Following are DOL FY 2009 actions, remaining actions, and expected completion dates to challenges identified by the OIG, GAO, and DOL.

DOL's Assessment Progress: **Yellow.**

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Strengthen oversight of the Purchase Card Program. Issue guidance in relation to recent OIG findings (OIG Report 06-09-003-07-001, Significant issue from previous PAR)	Issued guidance that includes a purchase card checklist to be used to conduct assessments of a sampling of purchase card transactions. Guidance to all DOL purchase card holders, approving officials and Agency Administrative Officers also reminded them of requirements to complete training, properly input information into the property management system, and in recovering unauthorized purchases.	Completed.
Complete the comprehensive review of the Department of Labor Management Series (DLMS) section for contracts and grants for required updates. (Significant issue from previous PAR)	In progress.	Rescheduled for Q2 FY 2010 due to complexity and new priorities.
Complete comprehensive review of Department of Labor Acquisition Regulations for required updates. (Significant issue from previous PAR)	In progress.	Rescheduled for Q3 FY 2010 due to complexity and new priorities.
Conduct procurement reviews of BLS and MSHA procurement offices. (Significant issue from previous PAR)	Completed in Q4 FY 2009.	Completed.
Implement a mandatory training and monitoring program for the acquisition workforce. (Significant issue from previous PAR)	Federal Acquisition Certification for Program/Project Management completed. Federal Acquisition Certifications for Contracting and for Contracting Officers' Technical Representatives in progress.	Complete Federal Acquisition Certifications for Contracting and for Contracting Officers' Technical Representatives – Q1 FY 2010.
Draft regulations and implement a new mandatory oversight procedure for telecommunications orders. (Significant issue from previous PAR)	Procedures drafted and being piloted.	Full implementation scheduled for Q1 FY 2010.
Continue to provide overall procurement policy support, training and guidance. (Significant issue from previous PAR)	Completed in Q4 FY 2009.	Completed.
Resolve the "unresolved and open" OIG procurement recommendation. (OIG 2007-8, 2006-7 DOL) Appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. (Significant issue from previous PAR)	Considering options for meeting the Services Acquisition Reform Act of 2003 (SARA) objectives.	Recommendation resolved per OIG.

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

DEPARTMENT'S RESPONSE: This challenge was first identified in FY 2001 and affects Strategic Goal 2 – A Competitive Workforce. Following are DOL FY 2009 actions, remaining actions, and expected completion dates to challenges identified by the OIG, GAO, and DOL.

DOL's Assessment of Progress: ● **Green.**

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Monitor the impact of the actions taken in FY 2008 and make adjustments as necessary to enhance detection of fraud. (Significant issue from previous PAR)	Monitored the impact of Supervised Recruitment and made adjustments as necessary. The pilot was effective at detecting fraud and eliminating non-meritorious applications.	Completed.
Redesign the Labor Condition Application online filing system to include data validation edits and logic checks to help detect fraud. (Significant issue from previous PAR)	Launched the ICERT electronic portal on April 16, 2009, improving integrity by implementing mandatory registration checks and numerous data validation edits. Preliminary results very positive.	Monitor impact of ICERT implementation and adjust as necessary to enhance integrity – Ongoing.
Revise regulations implementing the H-2A program and institute changes. (Significant issue from previous PAR)	On September 4, 2009, the Department issued a proposed rule to amend the regulations governing the employment of aliens under the H-2A program. Key provisions of the enhancement of the recruitment process and the elimination of the existing attestation-based applications. The proposed rule is accessible at http://www.dol.gov/federalregister/.	Completed.
Develop plans for an online filing system. (Significant issue from previous PAR)	Conducted initial planning work for the online filing system.	Complete development plans for online filing system, test and implement – July 2010.
Monitor the impact of actions taken in FY 2008 and make adjustments to prevent backlogs. (Significant issue from previous PAR)	Increased integrity at the Chicago National Processing Center, which is monitoring workload for potential backlog issues.	Monitor impact of actions taken and make adjustments as necessary to enhance integrity – Ongoing.

CHALLENGE: Securing Information Technology Systems and Protecting Related Information Assets

DEPARTMENT'S RESPONSE: This challenge, which affects all four Strategic Goals, was first identified in FY 2001. Following are DOL FY 2009 actions, remaining actions, and expected completion dates to challenges identified by the OIG, GAO, and DOL.

DOL's Assessment of Progress: ● **Yellow.**

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Continue Security Controls Test and Evaluation (SCT&E) Program on access controls. (Significant issue from previous PAR)	Completed quarterly FY 2009 SCT&E for all DOL major information systems which are part of the Department's Continuous Monitoring program.	Completed.

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Implement solution for logging computer readable data extracts. (Significant issue from previous PAR)	Upon receipt of OMB guidance, develop Departmental guidance and implementation plan for logging computer readable extracts.	To be determined based on date OMB guidance is released.
Complete DOL Computer Security Handbook update. (Significant issue from previous PAR)	Completed updates to the Computer Security Handbook to incorporate NIST 800-53 revision 2 *Requirements for Access Controls and Configuration Management* in March.	Completed.
Review certification and accreditation documentation to ensure adequacy as it is revised and updated. (Significant issue from previous PAR)	Reviewed agency certification and accreditation documentation as an ongoing effort as a part of the Department's Continuous Monitoring program.	Ongoing.
Collaborate with agencies on long-term Social Security Number (SSN) reduction issues. (Significant issue from previous PAR)	Agencies successfully eliminated 10 SSN collections as of March 31, 2009.	The SSN Task Force will determine if there are additional opportunities for reduction in the remainder of DOL SSN collections – Ongoing.
Create an independent Chief Information Officer (CIO) to provide exclusive oversight of IT issues. Implement a reorganization to require the Chief Information Security Officer (CISO) and the Component Program Information Security Officers (CPISO) to report directly to both the CIO and an Executive in the Secretary's Office dealing with major security matters, including progress on maintaining an effective Department-wide information security program. The CPISOs would continue to report directly to their respective component program Assistant Secretary while also reporting to DOL's CISO. (Significant issue from previous PAR)	With legislative changes to FISMA under consideration, including legislation creating a Chief Information Security Officer (CISO) in each agency, action on this issue was held in abeyance.	Ongoing.

CHALLENGE: Ensuring the Security of Employee Benefit Plan Assets

DEPARTMENT'S RESPONSE: This challenge affects Strategic Goal 4 – Strengthened Economic Protections; it was first identified in FY 2000. Following are DOL FY 2009 actions, remaining actions, and expected completion dates to challenges identified by the OIG, GAO, and DOL.

DOL's Assessment of Progress: ● Green.

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
Expand the public description of the national enforcement projects. (OIG Audit Report No. 05-09-003-12-001)	Expanded the public description of the national enforcement projects. Further information may be found at http://www.dol.gov/ebsa/erisa_enforcement.html.	Completed.
Strengthen policies and procedures for the Rapid Employee Retirement Income Security Act (ERISA) Action Team (REACT). (OIG Audit Report No. 05-09-005-12-001)	Refer to "Actions Remaining and Expected Completion Dates."	Establish a list of criteria that regions should consider when determining whether a company is experiencing "severe financial hardship" – FY 2010. Conduct an overall REACT project assessment – FY 2010.
Implement the Pension Protection Act of 2006. (Significant issue from previous PAR)	Issued or undertook multiple PPA-related regulatory or guidance actions and worked closely with the other ERISA agencies (Treasury/IRS and PBGC) to coordinate regulatory and guidance efforts to implement the PPA. Further information may be found at http://www.dol.gov/ebsa/pensionreform.html.	Continue to promulgate and implement regulations – FY 2010.
Strengthen oversight authority over plan auditors and ensure that auditors with poor records do not perform additional plan audits. (Significant issue from previous PAR)	Continued to implement CPA firm inspection program, focusing on firms who conduct a significant number of employee benefit plan audits. Reviewed 241 sets of audit work papers from CPA firms with smaller employee benefit plan audit practices. Referred five CPA firms to the Professional Ethics Division of the American Institute of Certified Public Accountants (AICPA) or a State board of public accountancy.	Continue to focus on CPA firms that perform a significant amount of plan audit work and to selectively target those that have smaller audit practices for ongoing enforcement – FY 2010. Explore regulatory and legislative initiatives to improve audit quality – FY 2010.
Decrease the number of fraudulent Multiple Employer Welfare Arrangements (MEWAs). Work closely with State insurance commissioners, the Department of Justice, and the National Association of Insurance Carriers (NAIC) to identify and prosecute fraudulent MEWAs. (Significant issue from previous PAR)	Worked with DOJ to prosecute these complex white-collar crimes. Closed 45 civil and criminal MEWA cases. Initiated monitoring of health fraud recidivists by listing on EBSA's intranet individuals and entities against whom the agency obtained a health fraud or MEWA-injunction. Proposed providing State insurance departments with a list of individuals and entities against whom EBSA obtained a health fraud or MEWA-related injunction.	Continue to coordinate closely with DOJ and NAIC officials – FY 2010. Share information on health fraud recidivists with State departments of insurance – FY 2010.
Implement program improvements based on the independent evaluations that have been completed or are currently underway. Conduct	Conducted a Health Disclosure and Claims Issues (HDCI) evaluation using a statistically valid sample of over 1,700 group health plans to determine	Follow-up the HDCI evaluation and use the findings to refine compliance assistance and enforcement strategies – FY 2010.

Management Challenge/ Significant Issue	Actions Taken in FY 2009	Actions Remaining and Expected Completion Date
independent program evaluations to identify additional opportunities for improvement. (OMB Program Assessment)	compliance with the health care laws in Part 7 of ERISA.	Work with the Office of the Assistant Secretary for Policy to identify potential areas for program evaluations – FY 2010.
Develop ways to quantify and reduce the burden imposed by its regulations. (OMB Program Assessment)	Contracted regulatory analysis determined that EBSA is publishing regulations where benefits outweigh costs. Conducted in-house training sessions regarding economic analysis of regulatory initiatives and initiated plans to hire additional staff to conduct regulatory analysis.	Conduct a robust research program that provides timely statistical/economic information and assesses the economic cost and benefit of regulations – FY 2010.

Summary of Financial Statement Audit and Management Assurances

The following tables provide a summary of the Department's FY 2009 financial statement audit and its management assurances.

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with financial management system requirements (FMFIA § 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total non-conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	Yes
2. Accounting Standards	Yes	Yes
3. USSGL at Transaction Level	Yes	Yes

Improper Payments Information Act Reporting Details

The Improper Payments Information Act (IPIA) of 2002, as implemented by OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, requires Federal agencies to review their programs and activities annually, identify programs that may be susceptible to significant improper payments, perform testing of programs considered high risk, and develop and implement corrective action plans for high risk programs.

The Department's review for FY 2009 identified one program, the Unemployment Insurance (UI) benefit program, to be at risk of significant improper payments in accordance with OMB criteria (programs with annual improper payments exceeding both $10 million and 2.5 percent of annual program payments). One additional program, the Workforce Investment Act (WIA) grant program, is classified as high risk in OMB's Circular A-123, Appendix C, due to its level of expenditures, although the Department's risk assessment does not support such a high risk designation. A third program, Federal Employees' Compensation Act (FECA) benefit program, is also classified as high risk in Appendix C. However, pursuant to Part I, Section K of OMB Circular A-123 Appendix C, OMB granted DOL relief from reporting for FECA and barring any significant changes to legislation or funding, DOL will next be required to report on FECA in FY 2012.

In FY 2009, the Department performed detailed testing for the UI and WIA programs to estimate the level of improper payments and their major causes. The Department has corrective actions to address the causes and reduce improper payments in these programs and has established improper payment reduction targets in accordance with OMB guidance.

The Department's UI improper payments target for FY 2009 was 10.0%, whereas the estimated error rate is 10.3%. This difference is primarily due to an increase in overpayments to UI claimants who were not actively registered, as required, for job referral and reemployment services, as States struggled to keep pace with the large increase in workload due to the adverse labor market conditions. The higher improper payment rate for WIA in FY 2009 is primarily due to including the results of DOL Office of Inspector General audits and other monitoring activities in the measurement methodology as described in Section II below.

Estimated Improper Payments Rates for the Department's At-Risk Programs

DOL Program	FY 2008		FY 2009		FY 2010
	Target	Actual	Target	Actual	Target
Unemployment Insurance	11.5%	10.0%	10.0%	10.3%	9.9%
Workforce Investment Act	0.19%	0.07%	0.07%	0.2%	0.07%

I. Risk Assessment

The Department's FY 2009 risk assessment of its various programs included the following:

- Reviewed prior three year's results of IPIA risk assessments and detailed tests. In addition to testing the two programs designated as high risk (UI and WIA), DOL performed detailed testing on all its other significant programs in the last 3 years. These programs included Black Lung Disability Trust Fund, Federal Employees' Compensation Act, Energy Employees Occupational Illness Compensation Program, State Unemployment Insurance and Employment Service Operations, Payroll Costs and Non Payroll Costs. The results of this detailed testing showed that these programs were low risk.
- Reviewed DOL OIG and Government Accountability Office (GAO) audit reports issued for DOL programs to determine whether the reports indicate that control weaknesses or other issues could potentially impact the amount of improper payments for DOL programs.
- Reviewed results of the Department's OMB Circular A-123 internal control assessment to determine whether control weaknesses were identified that could potentially impact the amount of improper payments for DOL programs.

- Reviewed DOL programs' funding levels for FY 2009 for significant changes in program funding that may impact the amount of improper payments.

Outlays for State UI, Unemployment Compensation for Federal Employees (UCFE), Unemployment Compensation for Ex-Service Members (UCX), Extended Benefits (EB), Emergency Unemployment Compensation 2008 (EUC08) and Federal Additional Compensation (FAC) increased sharply in FY 2009 to an estimated $119 billion, compared with just over $42 billion in FY 2008, reflecting the adverse labor market conditions. FY 2009 UI outlays include approximately $24.9 billion provided by the American Recovery and Reinvestment Act of 2009 (Recovery Act) for benefit payments to unemployed individuals by extending the period of eligibility for benefits and providing additional weekly benefits. For WIA, the Recovery Act provided additional resources primarily for formula grants to states and for other discretionary grants; the Recovery Act outlays in FY 2009 are estimated to be about $0.8 billion.

The additional funds are disbursed/monitored through established systems and processes as utilized in the past. In addition, the Department has taken and will continue to take various actions to minimize and manage the risk associated with the Recovery Act programs, including the following:

- Issued specific guidance on the use of the funds distributed through the Recovery Act programs.
- Conducted outreach to states and other eligible grant applicants to communicate policies and guidelines and is utilizing the regional office Federal Project Officers to conduct and document quarterly desk reviews of financial obligations, expenditures and program performance. Grantees identified as "high risk grantees" through these reviews are given priority attention for on-site monitoring.
- Trained grantees on Federal grant requirements, performance expectations, fiscal and program requirements, and allowable use of funds.
- Closely monitor the draw-down of UI Recovery Act funds from the specific accounts and has systems in place for reporting information required for monitoring and evaluating the operations of these programs.
- Conduct program reviews to ensure that the various activities included in the Recovery Act are properly implemented, including the use of these funds according to various operating instructions/guidance provided to the states.

II. Statistical Sampling

The following sampling was performed for the two programs designated as high risk:

Unemployment Insurance

Sampling Process: Improper payment rates are estimated from the Benefit Accuracy Measurement (BAM) program. BAM includes the three largest permanently authorized unemployment compensation (UC) programs: State UI[3], UCFE, and UCX. The Department reports two overpayment rates -- the Annual Report rate and the Operational rate, as well as an underpayment rate.

BAM investigators in each state conduct comprehensive audits for randomly selected weekly samples of paid and denied claims. Effective January 2008, all paid claims sampled for BAM investigation must be matched with the National Directory of New Hires (NDNH) database to improve the ability to detect overpayments due to individuals who claim benefits after returning to work, the largest single cause of UI overpayments. The universe (population) includes paid and denied claims under the State UI, UCFE, and UCX programs. However because the claims processes and eligibility requirements are very similar for the additional benefits paid to unemployed individuals under the EB, EUC08, and FAC programs, the estimated improper payment rates are assumed to generally reflect

[3] Included in the UI program are the 50 states and Puerto Rico, US Virgin Islands and the District of Columbia (referred to as states/areas). The US Virgin Islands does not participate in BAM.

the accuracy of these benefit payments. Overpayment and underpayment rates for FY 2009 shown in the Improper Payment Reduction Outlook Table are for the period July 1, 2008, to June 30, 2009. Data are shown for this period rather than the fiscal year because a higher percentage of BAM investigations have been completed and will, therefore, produce more accurate estimates. For the period July 1, 2008, to June 30, 2009, state agencies completed audits for 22,700 paid claims cases, a completion rate of 99.0 percent. Additional information about the BAM methodology can be found at: http://workforcesecurity.doleta.gov/unemploy/bam/2008/bam-facts.pdf.

Workforce Investment Act

Sampling Process: The Department performed a detailed risk assessment of the WIA program in FY 2009 and is currently evaluating the results to develop a new measurement methodology that incorporates this information and which could be used for future reporting on WIA improper payments. For FY 2009, the Department used a separate methodology (similar to its previous measurements) to estimate the improper payments rate in the WIA grant program because grant programs are administered differently than benefit programs. Unlike the benefit programs, data are not readily available to allow the Department to directly sample grant payments to develop a statistically valid estimate of improper payments. This is because the grant programs' funding stream makes it very difficult to assess the improper payment rate on payments to final recipients. The Department provides grants to states, cities, counties, private non-profits, and other organizations to operate programs, and relies significantly on Single Audit Act Reports (as required by the Single Audit Act of 1996[4]) to monitor funding to all grant recipients. Based on a review of the definition of questioned costs in OMB Circular A-133 and OMB's IPIA implementation guidance, the Department determined that questioned costs can be used as a proxy for improper payments. Therefore, these Single Audit Act Reports, along with other data in FY 2009, were utilized to determine the improper payment rate for the WIA grant program.

The Department reviewed FY 2007 (most recent available) Single Audit Act Reports with DOL-related findings from the Federal Audit Clearinghouse (which is the national repository of Single Audit Act Reports) and identified all WIA program questioned costs included in such reports. As additional evidence that no other audit reports included questioned costs for the DOL grants programs, the Department selected and reviewed random samples of audit reports classified in the Clearinghouse database as not having any questioned costs. In addition to using the Single Audit Act Reports, in FY 2009 the Department performed additional procedures to assess the level of improper payments which included a review over the last three year period of (1) the results of the monitoring work performed by the ETA staff who are responsible for managing the WIA program; (2) the Government Accountability Office (GAO) and DOL Office of Inspector General (OIG) audit reports issued for the WIA program; and (3) the results of DOL's OMB Circular A-123, Appendix A internal control assessment. To determine an approximate rate of improper payments for the grant programs, the Department divided the average annual amount of questioned costs from these sources by the direct program outlays. The resulting improper payment rate (assumed to be representative of the FY 2009 rate) was applied to the WIA program outlays for FY 2009 to determine the estimated improper payment amount for FY 2009.

III. Corrective Actions

Unemployment Insurance

Many errors in the UI program are due to eligibility errors that can be prevented or detected early through state use of third-party verification resources, such as matching claimant records with new hire and Social Security data.

[4] The Single Audit Act of 1996 provides for consolidated financial and single audits of state, local, non-profit entities, and Indian tribes administering programs with Federal funds. Since 1997, all non-Federal entities that expend over $300,000 ($500,000 for fiscal years after December 31, 2003) or more of Federal awards in a year are subject to a consolidated financial single audit; any non-Federal entities that do not meet this threshold are not required to have a single audit. All non-Federal entities are required to submit all single audit reports to a Federal Audit Clearinghouse (Clearinghouse) that is administered by the Census Bureau.

The leading cause of overpayments is claimants who have returned to work and continue to claim UI benefits. Early detection of these overpayments -- which represented nearly 30 percent of all overpayments in FY 2009 -- allows agencies to stop payments sooner and to recover these overpayments more readily. Matching the Social Security Numbers (SSNs) of UI claimants with the National Directory of New Hires (NDNH) and State Directory of New Hires (SDNH) databases is the most effective tool in identifying these improper payments. For the period July 2008 to June 2009, Benefit Payment Control operations in all agencies except Puerto Rico reported using new hire matching to detect and establish for recovery over $140 million in overpayments. During the same period, BAM identified an estimated $342 million in overpayments through matching with the NDNH or SDNH.

The second largest cause of overpayments is errors in handling separation issues, which represented nearly 25 percent of all overpayments in FY 2009. To reduce improper payments due to separation issues, the Department has two efforts underway. First, the Department is working closely with a six-state consortium and its contractor to facilitate the design and implementation of the Separation Information Data Exchange System (SIDES) -- an automated employer response system to standardize the collection of information on employee separations from employers and third-party administrators (TPAs) to improve the accuracy of claimant eligibility determinations. The Department is planning a phased implementation of SIDES. After the six-state consortium implements the system, the Department will assist the other state agencies with their implementation. Currently, SIDES implementation is scheduled to begin in FY 2010. Second, the Department provided funding to train over 400 state adjudicators. Ten training sessions were conducted during FY 2008 and 2009. These training sessions were designed to improve claimant eligibility determinations and thus reduce improper payments that result from nonmonetary determination errors.

Most of the improper UI payments not caused by benefit year earnings or separation errors are due to the claimant not meeting one or more of the continued eligibility requirements, such as conducting an active work search, registering with the state employment service, and being able and available for work. In FY 2005, the Department began providing states funds to conduct Reemployment and Eligibility Assessment (REAs) with UI beneficiaries to reduce improper payments both by speeding claimants' return to work and by detecting and preventing eligibility violations. During FY 2009, funding was provided to support REA activities in 34 states.

Workforce Investment Act

The improper payment rate estimate work indicated that the major types of errors found in the WIA program are primarily administrative in nature, including unallowable costs and insufficient documentation for participant and vendor payments. The grant management and monitoring processes focus on both of these items to reduce and prevent improper payments. ETA currently uses a multi-step approach to ensure proper administration and effective program performance of WIA grants. First, ETA starts its review/oversight process by conducting a structured risk assessment of all new grants and grantees. Risk assessments are periodically revised as new information about a grant and grantee becomes available through desk reviews, onsite reviews or other sources of information. Second, ETA Federal Project Officers (FPOs) conduct quarterly desk reviews of the financial and program performance of each grant. The results of these activities are contained in the Grants e-Management Solution (GEMS), an electronic tracking and grant management system. This serves as an early warning system to detect potential financial management and/or programmatic performance issues and allows ETA to target technical assistance more effectively. Finally, ETA staff (FPOs, financial management and others) conduct periodic onsite reviews of grantees. ETA attempts to conduct an onsite review of each grantee at least once every three years, but actual review schedules are based on the results of the risk assessments and desk reviews. Onsite reviews are conducted using ETA's Core Monitoring Guide as well as program specific and technical guide supplements designed to provide a more detailed review of program requirements and financial activities. Results of the onsite monitoring activities are also cataloged in the GEMS system. For grantees with large numbers of sub-recipients (e.g., WIA formula grantees), the onsite review conducted using the formula program supplement to the Core Guide includes an assessment of the grantee's sub-recipient monitoring activities. In addition, ETA conducts onsite review of local areas as part of its review of the state grantee. The results of the onsite monitoring are also catalogued in the GEMS system. ETA now has the capability to review trends or issues that arise in a more comprehensive and consistent manner. Whenever deficiencies or problems are identified as a result of a desk review, onsite review, or an independent audit, ETA immediately begins working with the grantee to obtain appropriate corrective actions. Corrective actions undertaken by the grantee are tracked by ETA and follow-up technical assistance and reviews are scheduled as needed.

The ETA Division of Policy Review and Resolution processes each grant at closeout, reviewing final grantee reports, the grant closeout package, FPO recommendations, and other documents available to them to determine whether the objectives of the grant were accomplished and that all funds were expended as authorized. Expenditures which are questioned are resolved through the normal determination process and disallowed costs are forwarded for collection. The Audit Resolution staff receives grantee A-133 audit reports (Single Audit Act reports) which report questioned costs and/or administrative weaknesses in need of correction. These items are followed up using the same determination process noted above, disallowed costs are forwarded for collection, and resolution reported back to the OIG. In addition, these units participate in special grantee reviews and provide fiscal policy training for grantee and Federal staff.

IV. Improper Payment Reduction Outlook FY 2008– FY 2012 ($ in millions)

Program	FY 2008			FY 2009			FY 2010			FY 2011			FY 2012		
	Outlays	%	$	Outlays	%	$	Est Outlays	%	$	Est Outlays	%	$	Est Outlays	%	$
Unemployment Insurance	$42,430			$119,249			$140,190			$89,720			$71,510		
Operational Rate		5.49%	$2,329		5.2%	$6,201		5.4%	$7,570		5.3%	$4,755		5.2%	$3,719
Annual Report Rate Over-payment		9.25%	$3,925		9.6%	$11,448		9.15%	$12,827		9.05%	$8,120		8.95%	$6,400
Underpayment		0.71%	$301		0.7%	$835		0.71%	$995		0.71%	$637		0.71%	$508
Workforce Investment Act	$3,547	0.07%	$2.5	$4,300	0.2%	$8.6	$5,970	0.07%	$4.2	$4,412	0.07%	$3.1	$3,723	0.07%	$2.6

Notes:
UI outlays and error amounts for FY 2008 were revised from what was published in FY 2008 to include outlays of the EUC08 program (approximately $3.3 billion). Actual UI outlays in FY 2009 and projected FY 2010 outlays include approximately $24.9 and $29.2 billion, respectively, of Recovery Act benefit payments under the EB, FAC and EUC08 programs. Recovery Act UI modernization incentive and administrative cost payments to states are not included. For WIA, the FY 2009 to 2011 outlays include $0.8, $2.4 and $0.8 billion, respectively, of Recovery Act grants.

The rates were determined as described in the preceding pages and applied to the outlays for the fiscal year. UI rates are estimates based on a statistical survey of State UI, UCFE, and UCX payments. Because the claims processes and eligibility requirements are very similar for the EB, EUC08, and FAC programs, the estimated improper payment rates are assumed to generally reflect the accuracy of these benefit payments. These rates, which include full and partial overpayments, overestimate the improper payments relating to FAC outlays (about 5% of total outlays), as the FAC payments are payable in full to claimants entitled to at least $1 in unemployment compensation.

Only an estimated 2.31 percent of UI benefits were overpaid due to fraud in FY 2009. Overpayments due to fraud are included as part of both the Annual Report and Operational overpayment rates.

Recovery of Improper Payments

State Benefit Payment Control (BPC) operations identify UI overpayments for recovery through such methods as crossmatching claimant SSNs with State and National Directories of New Hires, wage record files submitted each quarter by employers, matches with other databases, such as Workers Compensation and State Corrections, and other sources such as appeals, reversals and tips and leads. States collect overpaid claims through offsets of UI benefits, state income tax offsets, and direct cash reimbursement from the claimant. The identification of overpayments for recovery for the WIA program is primarily done through ETA's onsite monitoring activities, the

Single Audit Act reports and Office of Inspector General (OIG) program audits. From FY 2004 through FY 2009 approximately $3,379 million has been recovered for the UI and the WIA programs.

V. Recovery Auditing

Recovery auditing is a control technique to identify improper contractor payments and initiate recovery actions where appropriate. Recovery auditing involves data analysis and detailed reviews of the documentation supporting contract payments, including purchase orders, invoices, vendor statements/correspondence, procurement records, contracts, contract modifications, payment transaction records, etc.

Prior to FY 2008 the Department performed statistical sampling of non-payroll costs consisting of department expenses, including contract payments, related to the operation and administration of programs' and headquarters' activities. Such testing found these costs to be at low risk for improper payments. In FY 2008, the Department performed a recovery audit of the contract payments made in FY 2007. The work was performed by an independent contractor under a contingency fee arrangement. The contract auditor performed an analysis of the payment database and reviewed supporting documentation for various selected payments. The contract auditor examined over 80,000 payments covering approximately $1.75 billion. Excluded from the contractors review were payments to other Federal departments and payments for travel reimbursements to and on behalf of employees. The contract auditor did not identify any improper payments.

Recovery Audit Results for FY 2007 Payments (in millions)

Agency	Amount Subject to Review	Actual Amount Reviewed	Amounts Identified for Recovery	Amounts Recovered
DOL	$1,751	$1,751	$0	$0

Since the recovery contractor's work in FY 2008 did not identify any improper payments, in FY 2009, the Department again statistically sampled non payroll costs as it did prior to FY 2008. Such testing found these costs to be at low risk for improper payments. In FY 2010, the Department plans to conduct a Recovery Audit of the contract payments made in FY 2008 and 2009.

VI. Management Accountability

Existing control processes and the implementation of the revised OMB Circular A-123 requirements continue to ensure that the Department's internal controls over financial reporting and systems are documented, sufficiently tested, and properly assessed. In turn, improved internal controls enhance safeguards against improper payments, fraud, waste, and abuse and better ensure that the Department's resources continue to be used effectively and efficiently to meet the intended program objectives. Furthermore, this Department-wide effort supports the Secretary of Labor's annual certification of internal controls in the PAR. The Department continues with the quarterly financial management certifications and reviews with each agency in the Department. These controls began in fiscal year 2003. The primary objectives of this oversight are to obtain assurances of DOL compliance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA), the Federal Financial Management Improvement Act of 1996 (FFMIA), and IPIA, to enhance the Department's internal financial controls, and to resolve financial management issues in a more efficient and timely manner. The quarterly certification process allows for an open discussion of each agency's progress in resolving internal control issues, audit findings, and improper payments, as well as establishing a formal, early warning process to identify and address other potential problem areas.

The Employment and Training Administration (ETA) is responsible for Federal oversight of state unemployment insurance (UI) programs, including oversight of state activities to reduce and recover improper UI benefit payments. ETA has taken/continues to take the following steps to hold Federal managers accountable for reduction and recovery of improper UI payments by states. In FY 2010, ETA will continue to focus on the following integrity related activities and ensure the annual performance standards for managers include the completion of significant milestones for the projects listed below.

- ETA requires states to measure and report the percent, dollar amount, and reasons for improper payments. These data are derived from investigations of a statistically valid sample of payments using Federally prescribed procedures. ETA reviews these data for validity, analyzes data for each state, and makes the data available publicly on the ETA Web site -- http://workforcesecurity.doleta.gov/unemploy/bam/2008/bam-cy2008.pdf. Data review, analysis and publication are included in the performance plan of the Administrator of ETA's Office of Unemployment Insurance (OUI) and in the elements and standards of numerous staff in that office.
- ETA has implemented a core performance measure for detection of overpayments by state UI programs. States that fail to meet the performance criterion submit corrective action plans. Analysis of state performance and monitoring of states' corrective actions continue to be an evaluation factor in OUI managers' performance plans.
- ETA has promoted and continues to promote cost effective methods for states to prevent, detect, and recover improper UI benefit payments. Development, delivery, and/or successful implementation of these initiatives by states have been and continue to be factors on which the OUI administrator and managers are evaluated. A few of the most noteworthy are:
  - *National Directory of New Hires:* The Department's activities with respect to facilitating state implementation of the NDNH crossmatch to address the largest cause of UI improper payments -- earnings while benefits are being paid -- are discussed in Section III (Corrective Actions).
  - *National Integrity Conference:* In order to provide a forum for disseminating successful practices for preventing, detecting and recovering UI overpayments, the Department plans to host a National Unemployment Insurance Integrity Professional Development Conference in April 2010.
  - *Adjudication Training Sessions:* In order to improve the quality and accuracy of initial UI eligibility determinations, ten training sessions were held during FY 2008 and 2009 with over 400 state staff trained.
  - *Separation Information Data Exchange System:* This initiative will improve the accuracy of claimant eligibility determinations, which is the second largest cause of improper payments by enabling state agencies to obtain more timely and complete information regarding the reasons that UI applicants were separated from work. The Department's activities are discussed in Section III (Corrective Actions).
  - *Treasury Offset Program (TOP):* The "SSI Extension for Elderly and Disabled Refugees Act" (P.L. 110-328) included provisions to permit states to recover certain Unemployment Compensation debts due to fraud from Federal income tax refunds under TOP. In November 2008, DOL informed states of the provisions in this law and outlined the process for implementation. DOL is in the process of meeting with other Federal agencies to discuss technical issues related to the implementation of an automated system to administer TOP for UI.

As part of its monitoring and oversight responsibilities of the State's UI operations, the Department takes an active role in facilitating and promoting strategies to reduce improper payments and meet the payment accuracy and recovery targets set by the Office of Management and Budget. However, it should be noted that these strategies require the cooperation and implementation by individual states, including changes to state laws and regulations. The Department has no explicit authority over how states establish priorities in administering their UI programs and, therefore, can only make recommendations and provide technical assistance in the use of these strategies.

ETA has revised and expanded its training for grant managers and is currently implementing an expansion of GEMS to include all WIA grants. GEMS tracks the grant managers' grant review actions and provides the grant manager financial and other information useful in managing the grants. The ETA Division of Policy Review and Resolution has requirements in its closeout grant officer performance standards relating to the requirement to follow-up on Single Audit Act, OIG or GAO audit findings and questioned costs relating to WIA grants, and the

Director of the Office of Grant and Contract Management has overall responsibility for ensuring that these procedures are followed.

VII. Information Systems and Infrastructure

Unemployment Insurance
State and Federal information systems and infrastructure were upgraded to accommodate the additional Federal compensation programs and extensions to other unemployment compensation programs included in the Recovery Act.

As a result of ETA monitoring, states modified computer matching procedures to improve the productivity of NDNH as a resource to detect improper payments. ETA is also working closely with the six-state consortium to develop the information systems and infrastructure to support SIDES, which is discussed in Section III, Corrective Actions.

Workforce Investment Act
ETA currently has multiple technology projects underway in an effort to improve grants management. The WIA program utilizes these tools to execute the risk management process to assess and monitor grantees. They include the web-based EBSS (Enterprise Business Support System), with GEMS. EBSS is the Enterprise Business Support System, a web-based solution used to track and manage grants. A component of the EBSS is the automated grant cost reporting system that captures grant costs and obligations, which improves fiscal integrity. The combination of the two is part of the cradle-to-grave E-grants solution for the entire Department. The GEMS system, mentioned also in Section III of this appendix is an online grants management tool meant to provide web accessible, customizable, role based context access to grant related information from multiple sources. The utilization of the GEMS system by the Federal Project Officers and program management and financial staff allows ETA a more coordinated and comprehensive repository of grant specific information. A GEMS technology project has recently been undertaken to provide for a report writing module and the cataloging of the Core Monitoring Guide and supplements. This will allow ETA staff to customize and target their oversight efforts.

VIII. Statutory or Regulatory Barriers

Unemployment Insurance
The UI program has several statutory barriers to reducing improper payments. First, States administer the UI program and set operational priorities. The Department has limited authority to ensure they pursue improper payment reduction activities. Second, the "immediate deposit" requirement (Sec. 3304(a)(3), Federal Unemployment Tax Act (FUTA) and Sec 303(a)(4), Social Security Act (SSA)) and the "withdrawal standard" (Sec. 3304(a)(4), FUTA and Sec 303(a)(5), SSA) preclude the use of recovery auditing techniques and affect recovery efforts.

DOL and OMB are working on a legislative proposal that would relax the barriers posed by the "immediate deposit" requirement and the "withdrawal standard" to allow states to use a portion of recovered overpayments to support recovery and other integrity activities, such as collecting delinquent taxes from employers and assuring that employers properly classify employees. It would also mandate that states require all employers to report the date of first earnings or "start work" date to the NDNH, which will facilitate state identification of claimants who have returned to work and continue to claim UI benefits.

Workforce Investment Act
No statutory or regulatory barriers exist that limit WIA's ability to address and reduce improper payments. The WIA program has the legal authority to establish receivables and implement actions to collect those receivables.

Acronyms

ACSI	American Customer Satisfaction Index
BLS	Bureau of Labor Statistics
CAM	Cost Analysis Manager
CFO	Chief Financial Officer
CY	Calendar Year
DOL	U.S. Department of Labor
DOLAR$	Department of Labor Accounting and Related Systems
DVOP	Disabled Veterans' Outreach Program
EBSA	Employee Benefits Security Administration
EEO	Equal Employment Opportunity
ERISA	Employee Retirement Income Security Act
ESA	Employment Standards Administration
ETA	Employment and Training Administration
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
FLSA	Fair Labor Standards Act
FMLA	Family Medical Leave Act
FTE	Full Time Equivalent
FUTA	Federal Unemployment Tax Act
FY	Fiscal Year
GAO	U.S. Government Accountability Office
GPRA	Government Performance and Results Act
GSA	General Services Administration
HVRP	Homeless Veterans' Reintegration Program
IDCF	Internet Data Collection Facility
ILAB	Bureau of International Labor Affairs
IPIA	Improper Payments Information Act
IRS	Internal Revenue Service
IT	Information Technology
LMRDA	Labor-Management Reporting and Disclosure Act
LPD	Lost Production Days
LVER	Local Veterans' Employment Representative
MSHA	Mine Safety and Health Administration
OASAM	Office of the Assistant Secretary for Administration and Management
OASP	Office of the Assistant Secretary for Policy
OCFO	Office of the Chief Financial Officer
OCIA	Office of Congressional and Intergovernmental Affairs
ODEP	Office of Disability Employment Policy
OFCCP	Office of Federal Contract Compliance Programs
OFLC	Office of Foreign Labor Certification
OIG	Office of Inspector General
OLMS	Office of Labor-Management Standards
OMB	Office of Management and Budget
OPA	Office of Public Affairs
OSHA	Occupational Safety and Health Administration
OWCP	Office of Workers' Compensation Programs
PART	Program Assessment Rating Tool
PBGC	Pension Benefit Guaranty Corporation
PMA	President's Management Agenda
PPI	Producer Price Index
PY	Program Year
RAPIDS	Registered Apprenticeship Partners Information Data System
RECA	Radiation Exposure Compensation Act
SOL	Office of the Solicitor
SSA	Social Security Administration
SWA	State Workforce Agencies
TAA	Trade Adjustment Assistance
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
WB	Women's Bureau
WHD	Wage and Hour Division
WIA	Workforce Investment Act
WISPR	Workforce Investment Streamlined Performance Reporting

Internet Links

Employment Information (For Workers and Employers)
America's Career InfoNet http://www.acinet.org/acinet/
Occupational Outlook Handbook http://www.bls.gov/oco/
Job Corps http://jobcorps.dol.gov/
DOL Jobs http://www.dol.gov/dol/jobs.htm
DisabilityInfo.gov http://www.disabilityinfo.gov/
Job Accommodation Network (JAN) http://www.jan.wvu.edu/
Employer Assistance & Recruiting Network (EARN) http://www.earnworks.com/

Workplace Laws and Related Information
DOL Compliance Assistance http://www.dol.gov/compliance
Employment Laws Assistance for Workers and Small Businesses http://www.dol.gov/elaws/
State Labor Laws and Offices http://www.dol.gov/esa/contacts/state_of.htm
Minimum Wage Q&A http://www.dol.gov/esa/minwage/q-a.htm
Fair Labor Standards Act http://www.dol.gov/compliance/laws/comp-flsa.htm
Family & Medical Leave Act http://www.dol.gov/esa/whd/fmla/
Small Business Compliance Assistance http://www.dol.gov/osbp/sbrefa/
Union Reporting and Public Disclosure http://www.dol.gov/esa/regs/compliance/olms/rrlo/lmrda.htm

Statistical Information
Consumer Price Indexes http://www.bls.gov/cpi/
Bureau of Labor Statistics Most Requested Data http://www.bls.gov/data/
Current Population Survey http://www.bls.gov/cps/
Workplace Injury, Illness & Fatality Statistics http://www.osha.gov/oshstats/work.html
Employment Projections http://www.bls.gov/emp/
International comparisons http://www.bls.gov/fls/
Employment, Hours, and Earnings http://www.bls.gov/ces/

Safety and Health Information
OSHA's Partnership Page http://www.osha.gov/dcsp/partnerships/index.html
The Workers' Page http://www.osha.gov/as/opa/worker/index.html
OSHA Regulations and Compliance Links http://www.osha.gov/comp-links.html
OSHA Standard Industrial Classification (SIC) 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/hhicm.htm
MSHA's National Hazard Reporting Page http://www.msha.gov/codeaphone/codeaphonenew.htm

Labor Department History
History at the Dept of Labor http://www.dol.gov/oasam/programs/history/main.htm
Annals of the Dept of Labor http://www.dol.gov/oasam/programs/history/webannalspage.htm

Labor Agencies
Bureau of International Labor Affairs http://www.dol.gov/ilab/
Bureau of Labor Statistics http://www.bls.gov/
Employee Benefits Security Administration http://www.dol.gov/ebsa/
Employment Standards Administration http://www.dol.gov/esa/
Employment and Training Administration http://www.doleta.gov/
Mine Safety and Health Administration http://www.msha.gov/
Occupational Safety and Health Administration http://www.osha.gov/index.html
Office of Disability Employment Policy (ODEP) http://www.dol.gov/odep/
Veterans' Employment and Training Service http://www.dol.gov/vets/
Women's Bureau – A Voice for Working Women http://www.dol.gov/wb

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