U.S. Department of Labor

2004

Performance and Accountability Report

SERVING THE NEEDS OF A CHANGING TWENTY-FIRST CENTURY WORKFORCE

U.S. Department of Labor
FY 2004 Performance and Accountability Report

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Management’s Discussion and Analysis

Secretary's Message

November 15, 2004

Publication of the Fiscal Year 2004 Annual Performance and Accountability Report is the culmination of an important process — it makes us pause, look back, consider how our accomplishments bettered the American workforce and determine what needs to be done to make further improvements. Every year brings its share of challenges, and this past year was no exception. In keeping with our theme for this report — *Serving the Needs of a Changing 21st Century Workforce* — we are reporting for the first time on our new fourth strategic goal, *A Competitive Workforce*. It complements our three other strategic goals of *A Prepared Workforce*, *A Secure Workforce*, and *Quality Workplaces*. In addition to producing positive results for the Nation's workers through our program activities, we have strengthened our support functions under the *President's Management Agenda*.

President's Management Agenda

In August 2001, President George W. Bush sent to Congress his *President's Management Agenda* (PMA), a strategy for improving the management and performance of the Federal government. The agenda called for focused efforts in the following five government-wide initiatives aimed at improving results to citizens: *Strategic Management of Human Capital*, *Competitive Sourcing*, *Improved Financial Performance*, *Expanded Electronic Government*, and *Budget and Performance Integration*. DOL is also responsible for one of the PMA components found in selected departments: *Faith-Based and Community Initiatives.* In the fourth quarter of 2004, DOL began working in earnest on another selected PMA component, *Real Property*. On the basis of its favorable ratings for progress and status in implementation of these initiatives, DOL is recognized as one of the best managed Cabinet agencies.

Keeping our commitment to veterans

With so many of our nation's military service members actively engaged in the global war on terrorism, we are constantly mindful of our responsibilities to them, to our nation's veterans and to their families; and our commitment is unwavering. The men and women of the National Guard and Reserve must be assured that they will have their former or comparable jobs upon return. In addition, transitioning service members, veterans and disabled veterans deserve the best possible assistance in obtaining meaningful and rewarding employment. Veterans are also a key resource in our strategy to maintain a competitive workforce; to meet the productivity and hiring demands of high-growth business sectors, DOL is encouraging employers to leverage the technical knowledge, discipline and training of veterans, military spouses and transitioning service members.

Training for high-growth industries

A Departmental priority is to help workers acquire the skills they need for the new jobs being created in high-growth industries. As part of the President's High-Growth Job Training Initiative, the Department of Labor has identified twelve sectors where rapid growth or transformation of business processes has created a shortage of skilled workers, and we have built partnerships to help American workers access job-specific training. Our partners include employers, industry associations, labor-management organizations, community colleges, and the public workforce system. We promote this demand-driven workforce investment strategy by awarding grants in such areas as innovative health-care and biotechnology training programs across the country. As we match skilled workers with willing employers, we expect that more workers will obtain quality jobs that pay higher wages and feature career ladders.

Regulatory reform

Another way we have been *Serving the Needs of a Changing 21st Century Workforce* is through regulatory reform. We need to ensure that the Department's regulations are still relevant and effective so that labor in both the public and private sectors is not wasted on unnecessary bureaucratic processes or frivolous litigation. We are concentrating on regulatory activities that actually protect workers, particularly those who are economically disadvantaged or vulnerable. For example, one of the Department's most important regulatory reforms in recent years was an update of the white-collar overtime regulations that were first created in 1938 and were so outdated that they created a legal nightmare. The Department's belief is that most employers want to protect their workers.

Our strategy is to target enforcement resources on the relatively few "bad actors" and help the majority of employers understand and comply with the Department's standards.

Expanding our focus on workplace protections

Every year, millions of teenagers work in part-time and summer jobs. Employment helps them appreciate the value of work and our free enterprise system. Through the Department's *YouthRules!* initiative we promote positive, safe working experiences for teenage workers. The initiative educates employers, teenagers, parents, teachers and the general public about child labor laws through our *YouthRules!* website, pocket guides and posters. We have also sponsored youth rallies, training seminars and other activities to boost understanding of the rules.

OSHA has mounted a significant effort to reach out to Spanish-speaking workers and their employers. The agency formed a special task force in October 2001 to examine the issue of Hispanic worker fatalities and what we should do to address the problem. The task force is looking at three areas: sharing best practices, expanding outreach, and determining where more information is necessary. OSHA's current outreach efforts to the Hispanic Community include a Spanish-language page on OSHA's web site, a Spanish-language option on OSHA's toll free number, numerous Spanish translations, including *Todo Sobre la OSHA* (*All About OSHA),* and much more.

Retirement security remains a high priority

The last couple of years have seen the very public and visible collapse of several major companies with grievous consequences for workers' retirement security. Rising health care costs have made obtaining secure and affordable health coverage increasingly challenging for employees. Strong oversight and protecting workers' retirement and health benefits are among the Department's highest priorities. We take great pride at the Department of Labor in our enforcement record and results, but in the course of recovering workers' benefits, we have seen in some employers a clear lack of understanding or appreciation of their responsibilities under the Employee Retirement Income Security Act (ERISA). Our compliance assistance efforts focus on educational campaigns that reach out to the regulated communities, educate them on what the law requires, and help prevent problems from occurring in the first place. The nation's workers deserve nothing less than the high standards set by ERISA – that the benefit promises made to our nation's workers are kept.

Program Data and Financial Performance

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

Performance information presented in this report is complete and reliable as defined by the Office of Management and Budget (OMB) in Circular A-11, with one exception. Data for Performance Goal 1.2C (Youth Opportunity Grants) are considered incomplete because older youth employment and retention rates are available for participant outcomes associated with only half of the grantees. A more complete explanation of this issue appears in the Management Issues section of the performance goal narrative.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are in substantial compliance with OMB Circular A-127, Joint Financial Management Improvement Program (JFMIP) requirements, Federal accounting standards, and the United States Government Standard General Ledger (SGL) at the transaction level. All Department of Labor financial management systems substantially comply with FFMIA.

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

Conclusion

Once again, I am proud to submit an Annual Report on Performance and Accountability that I hope will provide a useful overview of this Department's core missions and a clear assessment of our program and financial results. The employees of the Department of Labor are dedicated to keeping the American workforce strong and competitive through these rapidly changing and often uncertain economic times. We will continue to strive to provide programs and services to assist people to find rewarding work at good pay; foster and protect health and pension benefits; and ensure that workplaces are safe and healthful and free from discrimination.

Elaine L. Chao
Secretary of Labor

Mission, Vision and Organization

Mission

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

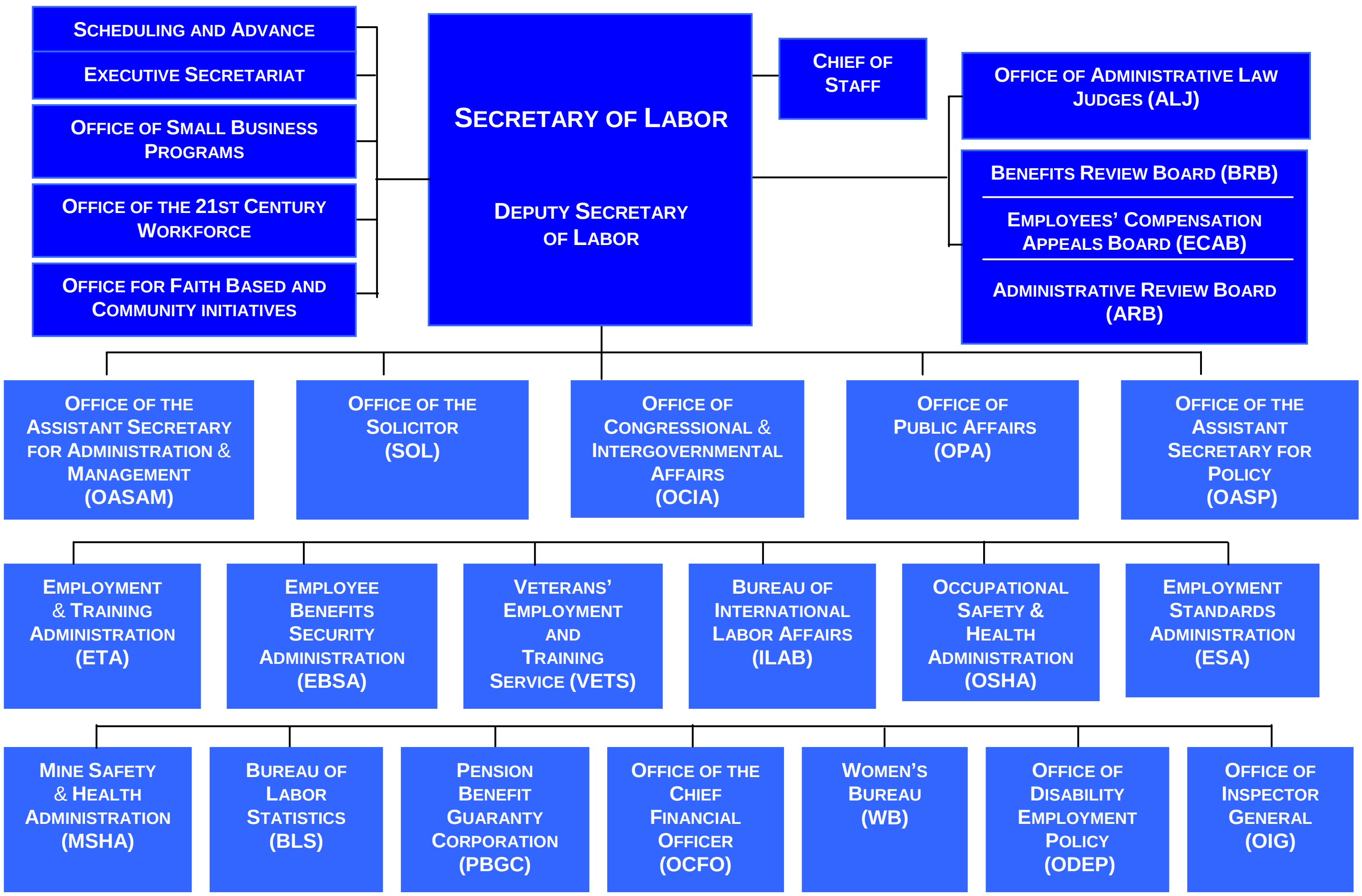
Vision

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

Organization

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

DOL Organization Chart



Agency Missions

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

Employee Benefits Security Administration (EBSA)
To protect the retirement, health, and other benefits of over 150 million participants and beneficiaries in private sector employee benefit plans.

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

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

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

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

Office of the Assistant Secretary for Administration and Management (OASAM)
To develop and promulgate policies, standards, procedures, systems, and materials related to the resource and administrative management of the Department and ensure execution of such policies and directives at Headquarters and in the field. OASAM provides leadership and policy guidance in support of the President's Management Agenda, including the Department's progress to achieve "green " scores on the Office of Management and Budget's Scorecard, and the Department's Strategic Plan and Annual Performance and Accountability Report.

Office of the Assistant Secretary for Policy (OASP)
To provide advice and assistance to the Secretary and Deputy Secretary in a number of areas, including policy development, regulations, program implementation, program evaluations, research, budget and performance analysis, and legislation.

Office of the Chief Financial Officer (OCFO)
To provide high integrity financial information, policy, services, and products in support of the Department's mission to prepare and protect American workers.

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

Office of Disability Employment Policy (ODEP)
To provide leadership to increase employment opportunities for adults and youth with disabilities on both the supply and demand sides of the labor market, by expanding access to training, education, employment supports, assistive technology, integrated employment, entrepreneurial development, and small-business opportunities; and by building partnerships with employers and State and local agencies to increase awareness of the benefits of hiring people with disabilities, and to facilitate the use of effective strategies related to employment of people with disabilities.

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

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

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

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

Veterans' Employment and Training Service (VETS)
To help Veterans, Reservists, and National Guard members in securing and maintaining employment and the rights and benefits associated with employment.

Women's Bureau (WB)
To promote profitable employment opportunities for women, to empower them by enhancing their skills and improving their working conditions, and to provide employers with more alternatives to meet their labor needs.

Executive Summary

Introduction

This report, prepared in accordance with the Reports Consolidation Act of 2000, presents the results of the Department of Labor's (DOL) program and financial performance for FY 2004. It is divided into four sections:

Management's Discussion and Analysis begins with the Secretary's Message, introduces the Department's mission, vision and organization, summarizes the other three sections (beginning immediately following this introduction) and includes a brief report on DOL's progress in implementing the President's Management Agenda.

The *Performance Section* conveys, through data, analyses and examples, progress in achieving the Department's goals as presented in the Department's Strategic Plan and Annual Performance Plans. The two appendices provide additional details.

The *Financial Section* demonstrates our commitment to effective stewardship over the funds DOL receives to carry out the mission of the Department, including compliance with relevant financial management legislation. It includes the *Principal Financial Statements and Notes* and the *Independent Auditor's Report* – an independent opinion on the Financial Statements provided by the Department's Office of Inspector General.

The *Management and Performance Challenges* section presents the top management issues identified by the Office of Inspector General and the Department's progress and plans to meet these challenges.

This year, DOL will publish in print form a summary version of the report for public consumption, aptly titled *FY 2004 Summary Performance and Accountability Report.* Although format differs, content is identical to corresponding sections of the full "official" report. The summary version includes: the full Management's Discussion and Analysis; Strategic Goal introductions and Outcome Goal summaries from the Performance Section; the CFO letter; a summary of the Inspector General's internal control and compliance reports; a summary of the independent financial audit; condensed Financial Statements; the complete Management and Performance Challenges section; and Acronyms and Internet links appendices. Both versions of the report are online at http://www.dol.gov/_sec/media/reports.

Performance Section

FY 2004 marks the sixth year that the Department of Labor has reported program results under the Government Performance and Results Act (GPRA). Program and management goals that are key to the accomplishment of Departmental strategic and outcome goals as presented in the FY 2003-2008 Strategic Plan[1] were selected for inclusion in the Department's annual plans. These performance goals and their indicators provide the basis for assessments of the Department's effectiveness in this section.

This report includes performance goals from two different annual plans[2] because some programs administered by the Employment and Training Administration are "forward-funded," meaning that their spending and performance goals are tracked on a cycle that lags the Federal fiscal year (FY) by nine months. This period is referred to as a Program Year (PY); such goals being reported on in this document cover July 1, 2003 to June 30, 2004 (PY 2003). PY 2004 goals will appear in the FY 2005 report.

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

Program Performance Overview

Of the 42 performance goals DOL is reporting on in FY 2004 (30 program goals plus 12 management goals), the Department achieved 25, substantially achieved five and did not achieve 12. The percentage achieved or substantially achieved totals 71 percent. In FY 2003, the Department achieved or substantially achieved 66 percent of its goals. The assessment category of substantially achieved recognizes results that were very close (i.e., 80 percent of targeted year-on-year improvement).

Goals and Results

The table below presents each performance goal for which results are being reported in this document. It includes the goal number, responsible agency, goal statement, result and period covered. Two versions of Goal 1.1F appear because ETA moved its dislocated worker goals from Outcome Goal 2.3 before VETS changed its goal to a program year basis, deferring it to this year's report. Goal 3.1D (OSHA) appears three times because prior year results were not reported on schedule.

Goal # Agency	Performance Goal	Result	Period
1.1A ETA	Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act adult program.	Achieved	PY 2003
1.1B ETA	Improve the outcomes for job seekers and employers who receive public labor exchange services.	Achieved	PY 2003
1.1C ETA	Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21st Century.	Achieved	FY 2004
1.1D ODEP	Provide national leadership to increase access and employment opportunities for youth and adults with disabilities receiving employment, training, and employment support services by developing testing, and disseminating effective practices.	Achieved	FY 2004
1.1E VETS	Increase the employment and retention rate of veteran job seekers registering for public labor exchange services.	Achieved	PY 2003

[1] http://www.dol.gov/_sec/stratplan/main.htm
[2] Revised Final FY 2003 Annual Performance Plan dated December 31, 2002 and the Revised Final FY 2004 Annual Performance Plan dated January 27, 2004. The FY 2004 plan is available online: http://www.dol.gov/_sec/Budget2004/2004app-toc.htm.

Goal # Agency	Performance Goal	Result	Period
1.1F VETS	Veterans enrolled in Homeless Veterans' Reintegration Program (HVRP) enter employment.	Achieved	PY 2003
1.1F ETA	Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act Dislocated Worker Program.	Not Achieved	PY 2003
1.1G ETA	Increase the employment, retention, and earnings replacement of workers dislocated in important part because of trade and who receive trade adjustment assistance benefits.	Not Achieved	FY 2004
1.2A ETA	Increase entrance and retention of youth registered under the WIA youth program in education or employment.	Achieved	PY 2003
1.2B ETA	Improve educational achievements of Job Corps students, and increase participation of Job Corps graduates in employment and education.	Not Achieved	PY 2003
1.2C ETA	Increase entrance and retention of Youth Opportunity Grant participants in education or employment.	Not Achieved	PY 2003
1.3A BLS	Improve information available to decision-makers on labor market conditions, and price and productivity changes.	Not Achieved	FY 2004
2.1A ESA	Covered American workplaces legally, fairly, and safely employ and compensate their workers.	Substantially Achieved	FY 2004
2.1B ESA	Advance safeguards for union financial integrity and democracy and the transparency of union operations.	Achieved	FY 2004
2.2A ETA	Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance (UI) claimants, and set up Unemployment tax accounts promptly for new employers.	Not Achieved	FY 2004
2.2B EBSA	Enhance pension and health benefit security.	Achieved	FY 2004
2.2C ESA	Minimize the human, social, and financial impact of work-related injuries for workers and their families	Substantially Achieved	FY 2004
2.2D PBGC	Improve customer satisfaction according to the American Customer Satisfaction Index (ACSI).	Not Achieved	FY 2004
3.1A MSHA	Reduce the mine industry fatal injury incidence rate and the mine industry all-injury incidence rate.	Not Achieved	FY 2004
3.1B MSHA	Reduce respirable coal dust, silica dust, and noise exposures.	Achieved	FY 2004
3.1C OSHA	Reduce occupational fatalities.	Not Achieved	FY 2004
3.1D OSHA	Reduce injuries and illnesses by 10 % annually in four industries characterized by high hazard workplaces.	Not Achieved	CY 2002
3.1D OSHA	Reduce the days away from work case rate per 100 workers by 2% from CY 2000 baseline.	Achieved	CY 2003
3.1D OSHA	Reduce the days away from work case rate per 100 workers by 4% from CY 2000 baseline.	Achieved	CY 2004
3.2A ESA	Federal contractors achieve equal opportunity workplaces.	Achieved	FY 2004
3.2B OASAM	States that receive financial assistance under the Workforce Investment Act provide benefits and services to persons with disabilities in a non-discriminatory manner.	Achieved	FY 2004

Goal # Agency	Performance Goal	Result	Period
3.2C VETS	Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment.	Achieved	FY 2004
3.3A ILAB	Contribute to the elimination of the worst forms of child labor internationally.	Achieved	FY 2004
3.3B ILAB	Improve living standards and conditions of work internationally.	Achieved	FY 2004
4.2A OASP	Maximize regulatory flexibility and benefits and promote flexible workplace programs.	Not Achieved	FY 2004
HR1 OASAM	The right people are in the right place at the right time to carry out the mission of the Department.	Substantially Achieved	FY 2004
HR2 OASAM	Reduce the rate of lost production days due to work related injuries and illnesses by two percent.	Achieved	FY 2004
HR3 OASAM	Reduce the total case rate for injuries and illnesses for DOL employees by three percent.	Achieved	FY 2004
HR4 OASAM	Reduce the lost time case rate for injuries and illnesses for DOL employees by three percent.	Achieved	FY 2004
HR5 OASAM	Improve the timeliness of filing notices of injuries and illnesses with the Office of Workers' Compensation Programs.	Achieved	FY 2004
PR1 OASAM	Complete competitions on not less than 15 percent of the FTE listed on DOL's 2000 Federal Activities Inventory Reform (FAIR) Act inventory.	Substantially Achieved	FY 2004
PR2 OASAM	Award contracts over $25,000 using Performance-Based Service Contracting techniques for not less than 40 percent of total eligible service contracting dollars.	Achieved	FY 2004
FM1 OASAM	Improve the accuracy and timeliness of financial information.	Substantially Achieved	FY 2004
FM2 OASAM	Integrate financial and performance management to support day-to-day operations across DOL.	Achieved	FY 2004
IT1 OASAM	E-Government - Utilize technology to improve service and efficiency.	Not Achieved	FY 2004
IT2 OASAM	Improve the performance of Department's Cyber Security Program in accordance with the Federal Information Security Management Act (FISMA).	Achieved	FY 2004
IT3 OASAM	Improve organizational performance and effective information management through the use of the Departmental IT Capital Planning Investment Control process.	Achieved	FY 2004

Goals Reporting in FY 2005

This table lists goals that appeared in DOL's FY 2004 Revised Final Annual Performance Plan for which results will be reported in the FY 2005 Performance and Accountability Report. All apply to ETA's forward-funded Program Year 2004 (July 1, 2004 – June 30, 2005).

Goal# Agency	Performance Goal	Reason Delayed	Period
1.1A ETA	Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act adult program.	Forward Funded	PY 2004
1.1B ETA	Improve the outcomes for job seekers and employers who receive public labor exchange services.	Forward Funded	PY 2004

Goal# Agency	Performance Goal	Reason Delayed	Period
1.1F ETA	Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act dislocated worker program.	Forward Funded	PY 2004
1.2A ETA	Increase placements and educational attainments of youth.	Forward Funded	PY 2004
1.2B ETA	Improve educational achievements of Job Corps students, increase participation of Job Corps graduates in employment and education.	Forward Funded	PY 2004
4.1A ETA	Analyze information collection and research programs for relevance.	Forward Funded	PY 2004
4.1B ETA	Address worker shortage.	Forward Funded	PY 2004
4.1C ETA	Build a demand-driven workforce system.	Forward Funded	PY 2004

DOL's four strategic goals – *A Prepared Workforce, A Secure Workforce, Quality Workplaces* and *A Competitive Workforce* – express outcomes associated with our mission, vision and theme, and serve to focus Departmental efforts on the links between activities and their higher purpose. The table below indicates FY 2004 program performance goal achievement by strategic goal.

DOL Strategic Goal	Achieved	Substantially Achieved	Not Achieved	Total
Goal 1 – A Prepared Workforce *Enhance Opportunities for America's Workforce*	7	0	5	**12**
Goal 2 – A Secure Workforce *Promote the Economic Security of Workers and Families*	2	2	2	**6**
Goal 3 – Quality Workplaces *Foster Quality Workplaces that are Safe, Healthy and Fair*	8	0	3	**11**
Goal 4 – A Competitive Workforce *Maintain Competitiveness in the 21st Century Economy*	0	0	1	**1**
Total	**17**	**2**	**11**	**30**

Costs devoted toward achieving the Department's strategic goals (see table below) are dominated by the second goal, *A Secure Workforce*, for which net costs in FY 2004 amounted to $47.0 billion. Ninety-seven percent ($45.6 billion) of this amount is accounted for by benefit payments to unemployed workers or workers disabled as a result of work-related injuries or illnesses. The first goal, *A Prepared Workforce*, required $8.7 billion (15 percent of total net costs), spent mostly in the form of grants to States and other organizations to offer job training and a host of employment-related services to assist workers to improve their skills and obtain productive, long-term employment. Approximately $1 billion (less than 1 percent) went toward the third goal, *Quality Workplaces*, to fund direct services (such as salaries of Federal employees) aimed at improving safety and health in the workplace. The fourth goal, *A Competitive Workforce*, is new; moreover, most of its programs expend funds on a Program Year that lags the fiscal year by nine months. Its costs were the lowest, at just $6 million.[3]

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

DOL Program Costs (Millions of Dollars)			
Goal	**FY 2002**	**FY 2003**	**FY 2004**
Strategic Goal 1: A Prepared Workforce	**$6934**	**$6923**	**$8654**
Outcome Goal 1.1 – Increase Employment, Earnings, and Assistance	3596	3433	5412
Outcome Goal 1.2 – Increase the Number of Youth Making A Successful Transition to Work	2829	2957	2703
Outcome Goal 1.3 – Improve the Effectiveness of Information and Analysis On The U.S. Economy	509	533	539
Strategic Goal 2: A Secure Workforce	**57,005**	**59,969**	**46,957**
Outcome Goal 2.1 – Increase Compliance With Worker Protection Laws	350	273	296
Outcome Goal 2.2 – Protect Worker Benefits	54,993	57,718	46,661
Outcome Goal 2.3 – Increase Employment and Earnings for Retrained Workers	1662	1978	0
Strategies Goal 3: Quality Workplaces	**949**	**991**	**1021**
Outcome Goal 3.1 – Reduce Workplace Injuries, Illnesses, and Fatalities	781	815	812
Outcome Goal 3.2 – Foster Equal Opportunity Workplaces	117	118	112
Outcome Goal 3.3 – Reduce Exploitation of Child Labor, Protect the Basic Rights of Workers, and Strengthen Labor Markets[4]	51	58	97
Strategies Goal 4: A Competitive Workforce	0	0	**6**
Outcome Goal 4.1 – Equip Workers to Adapt to the Competitive Challenges of the 21st Century	0	0	0
Outcome Goal 4.2 – Promote Job Flexibility and Minimize the Regulatory Burden	0	0	6
Costs Not Assigned to Goals	**48**	**44**	**38**
Total (may not be equal to sum of individual goal totals due to rounding)	**$64,936**	**$67,927**	**$56,676**

Charts that display net costs from FY 1999-FY 2004 to illustrate trends are provided in each outcome goal summary; brief explanations of significant changes since FY 2003 are provided, as well. In future reports DOL plans a more robust discussion of cost information, eventually at the performance goal level. This will be facilitated by full cost information provided by the new managerial cost accounting system, Cost Analysis Manager (CAM), which is described in more detail in the Outcome Goal FM summary and the Performance Goal FM2 narrative. Cost models that describe relationships between resources, activities, outputs and outcomes have been completed and will be populated with data in FY 2005. Reports from this system will inform management how much it costs to provide the Department's major services, thereby supporting sound decision making and accountability for results.

Below is a breakdown, by strategic goal, of FY 2004 achievements and developments deemed most significant in terms of outcomes.[5] A tally of goals achieved, while providing a quick indication of whether DOL is on schedule with its plan, does not convey any actual performance information. To understand what was achieved in terms of benefits to the public, it is necessary to look not just at whether targets were reached but also at whether observed results indicate positive program impacts. The following summaries focus on significant trends that have continued or have become apparent in the past year and what they mean in terms of DOL's past performance and future strategies.

[4] The figures for FY 2002 and FY 2003 do not match those in the annual Consolidated Statements of Net Costs by Outcome Goal because they reflect correction of an overstatement of grant costs in FY 2002 and corresponding understatement in FY 2003 that were considered non-material and therefore not corrected in the financial statements.
[5] Not included are the twelve departmental management goals, of which DOL achieved eight, substantially achieved three and did not achieve one.

Strategic Goal 1 – A Prepared Workforce
As indicated in the Program Performance Goal Achievement table above, DOL had 12 performance goals under this strategic goal in FY 2004. The Department achieved seven (58 percent) and did not achieve five (42 percent). This achievement percentage is below the Department wide average of 71 percent.

In FY 2004, positive trends included: employment, retention, and earnings improved for Workforce Investment Act (WIA) adult programs; the number of disabled workers served in pilots funded by the Office of Disability Employment Policy nearly tripled; homeless veterans' employment rate exceeded 60% (well above target) for the second year in a row; and diploma attainment for younger youth (14-18) and entry to employment and retention for older youth (19-21) increased substantially. WIA Dislocated Worker and Trade Adjustment Assistance programs obtained disappointing results, both having difficulty assisting workers affected by mass layoffs in replacing their income in new jobs.

Further improvement in the preparedness of America's workforce will be promoted by DOL's demand-driven strategy of identifying employers' needs and using that information to identify skilled workers and to develop suitable training programs. In response to recommendations from the Administration's Program Assessment Rating Tool (PART) reviews of the Trade Adjustment Assistance program, new agreements between the Secretary of Labor and the States' Governors will include performance expectations to encourage better results. DOL's Workforce Investment Act reauthorization proposal places emphasis on serving out-of-school youth, the special population DOL is uniquely qualified to serve.

Strategic Goal 2 – A Secure Workforce
Of six performance goals, DOL achieved two (33 percent), substantially achieved two (33 percent), and did not achieve two (33 percent). The total achieved and substantially achieved (67 percent) is slightly below the Departmental average.

The Department reached targets for increasing compliance with the Fair Labor Standards Act (FLSA) in industries with the worst violation records, but failed to reach its targets for reducing recidivism of prior violators in those same industries. Labor unions' financial integrity and transparency indicators improved by targeted quantities. The Unemployment Insurance program reached its target for recovery of estimated overpayments while maintaining its high level of administrative efficiency and building its capacity to facilitate reemployment. Employee benefit security programs reached all targets, including those for successful conduct of civil and criminal cases against benefit plan malfeasance, and customer satisfaction with participant assistance received. Federal workers' compensation results were positive, overall; while lost production days rose, medical costs rose less than the national healthcare inflation rate and claims processing improved significantly. Finally, the Pension Benefit Guaranty Corporation did not reach its targets for customer satisfaction.

In FY 2005, DOL will continue its targeted compliance assistance programs for employers with respect to wage and working condition standards, including detailed agreements and reinvestigation plans; support an amendment to the Labor-Management Reporting and Disclosure Act authorizing civil monetary penalties for delinquent union reports; and improve processing of workers' compensation claims through greater Internet access.

Strategic Goal 3 – Quality Workplaces
Of 11 performance goals, DOL achieved eight (73 percent) and did not achieve three (27 percent), for an achievement ratio above the Departmental average.

In FY 2004, mine fatality and all-injury incidence rates reached the lowest levels recorded in over a quarter century. Other evidence of improved mine safety is the further reduction in coal dust, silica dust and noise overexposures observed at inspected mine sites during the past year. Fatalities in *all* workplaces actually rose slightly, according to DOL estimates; safety in its broader definition improved in all occupations, as measured by the estimated rate of days away from work resulting from workplace injuries. Equal opportunity to work advanced, as incidence of discrimination among evaluated Federal contractors was just one percent, and compliance with all other workplace standards rose sharply to 91 percent. Veterans' employment and reemployment rights were further protected by rulemaking (clarification of procedures that implement the Act of Congress) and by collaboration with the Department of Defense on an annual survey to identify the issues most troublesome for service members returning to the civilian workforce.

Evolving strategies for safety and health regulatory activity include enforcement, training and delivery systems that address workplace demographic trends such as increasing age of workers and likelihood that employees may not speak English. Meanwhile, DOL continues to increase outreach, assistance, and cooperative programs to complement enforcement activity.

Strategic Goal 4 – A Competitive Workforce

The one performance goal being reported on this year was not achieved. Nevertheless, the Department has made progress implementing plans to focus its programs' strategies on winning strategies in a global economic environment. To better build a demand-driven workforce system, DOL implemented the President's High Growth Job Training Initiative and the Career Voyages WebSite, and began implementing the ETA Management Information and Longitudinal Evaluation (EMILE) reporting system. In the regulatory arena, all targets for increased flexibility and reduced burden were not reached, but the important step of incorporating cost/benefit analysis in all impact evaluations is proceeding according to schedule. Next year's report will report on the first results of investments made in support of Goal 4 – the High Growth Job Training Initiative (HGJTI) Grants awarded in PY 2003.

Reporting Performance Results

The Performance Section presents, by strategic goal, summaries of performance at each level. Each strategic goal section is introduced by an overview of the goal, its component outcome goals, results for FY 2004 and near term plans for improvement. Each outcome goal section similarly begins with a summary of results, adds net cost information and highlights and concludes with a brief discussion of future plans. Finally, within each outcome goal section are individual performance goal narratives that introduce the indicators and discuss the program perspective, present results, analysis and future plans and disclose management issues such as data quality and program evaluations that have implications regarding impact or effectiveness. Appendix 1 contains performance goal histories and Appendix 2 summarizes significant evaluations and audits of DOL programs completed during FY 2004 that have implications for performance goals in this report.

Financial Section

Sound financial management is the keystone of the Federal Government's efforts to improve accountability and deliver better results. Decision makers at all levels need timely, accurate and useful financial management information and user-friendly, state-of-the-art tools to facilitate and enhance decision-making. In keeping with the President's goals, the Department of Labor continued to enhance its performance in financial management. This year, DOL successfully reached green on the President's Financial Management Agenda scorecard for financial management. All financial systems at the Department maintained substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), assuring that the systems support full disclosure of the costs of the Department's programs and activities. In addition, the Department continued to comply with the Federal Managers' Financial Integrity Act (FMFIA), indicating that the Department's accounting systems and internal controls were sufficient to safeguard the resources entrusted to the Department. No material weaknesses were found in the audit of the Department's financial statements.

Financial Management Scorecard (as of 9/30/04)

Current Status	• Unqualified and timely audit opinion on annual financial statements; no material internal control weaknesses. • Produced accurate and timely financial information that is used by management to inform decision-making and drive results in key areas of operations. • Integrated financial and performance management systems to support day-to-day operations. • FFMIA compliant.
Continued Progress	*To implement a new financial management information system:* • Objective 2 – begin design stage involving mapping business processes, change management, testing, and interface development. *To integrate financial/performance management:* • Expand access and update cost models for DOL Agencies. • Complete documentation and develop additional reporting capabilities to include automation of data into cost model. *To reduce erroneous payments:* • Complete and present to OMB recommendations to measure improper payments for susceptible non-direct grant programs through changes to the Single Audit Act Compliance Supplements. • Integrate IPIA efforts with the Department's initiatives to bring internal control improvements of the Sarbanes-Oxley Act to its operations to improve the Department's accountability.

The Office of the Chief Financial Officer (OCFO) has begun replacing DOL's core accounting system with a financial management information system using a JFMIP-compliant COTS package. DOL's current accounting system has enabled the Department of Labor to achieve unqualified audit opinions and has provided accurate financial information over the past 14 years. However, advances in technology, opportunities arising from E-Government initiatives and the Department's need to better integrate financial and performance information with a broader user-based support the need for a new system.

On a Government wide perspective, OCFO is co-chairing the Financial Management Line of Business (FMLOB) initiative. This initiative seeks to establish a Government-wide financial management solution that is efficient and improves business performance while ensuring integrity in accountability, financial controls and mission effectiveness. Standardization of business processes and data definitions across the Government will allow consistent reporting of inter-agency accounting events and aid in the reconciliation of inter-agency transactions – providing better accountability.

OCFO also participates in the E-Payroll initiative, which involves consolidation of Federal payroll operations to three providers. Cost savings will result from standardizing policies affecting payroll process and the elimination of duplicative IT investments across the Government. The Department has begun the process of migrating its payroll operations to the National Finance Center (NFC) run by the Department of Agriculture. DOL's goal is to complete the transition to NFC in FY2005. Going forward, the Department plans to continue its migration efforts placing emphasis on refining interfaces to the NFC system environment to support on-line time and attendance entry as well as human resource functions.

DOL has embarked upon a department-wide managerial cost accounting initiative called Cost Analysis Manager (CAM). CAM provides expenditure information to managers, analysts, and other decision-makers to help them better understand operational costs. CAM's costing methodology is consistent with the Statement of Federal Financial Accounting Standards (SFFAS) No.4, which provides the guidance for full cost of federal programs. It answers the question of what are the full costs of a program and raises additional cost-based questions that help managers improve program performance. CAM provides these improvements through the delivery of timely and frequent information regarding program costs, analyzing program efficiencies and effectiveness through "what if" scenarios, and determining whether its spending reflects an agency's priorities. Furthermore, CAM will provide Departmental management with cost information to evaluate past performance and guide future decision-making.

The OCFO intends to enhance its efforts to monitor the Department's internal control structures and procedures and alert management of potential financial issues. This initiative will allow OCFO to assess the efficiency and effectiveness of financial operations, the reliability of financial reporting, and compliance with applicable Federal laws and requirements. This will also provide DOL with the financial management information needed to support its quarterly process to attest to the existence and effectiveness of internal controls throughout the organization to ensure compliance with FMFIA and FFMIA requirements.

Analysis of Financial Position

The Department's financial statements received an unqualified or "clean" audit opinion for the eighth consecutive year. The independent CPA firm of R. Navarro & Associates, Inc. issued reports for Fiscal Years 2004 and 2003. This independent assessment provides assurance that the money managed by the Department is accounted for properly.

The principal financial statements in this report summarize DOL's financial position, net cost of operations and changes in net position; provide information on budgetary resources and financing; and present the sources and disposition of custodial revenues for fiscal years 2004 and 2003. Highlights of the financial information presented in the principal financial statements are shown below:

Financial Position

DOL's Balance Sheet presents its financial position through the identification of agency assets, liabilities and net position. Over 99 percent of DOL's investments are Unemployment Trust Fund investments. DOL total assets decreased from $64.8 billion at the end of FY 2003 to $62.4 billion in FY 2004. Seventy three percent of DOL assets are invested in U.S. Government securities, compared to 75 percent in FY 2003. Liabilities totaled $15.0 billion and $13.9 billion at the end of FY 2004 and FY 2003 respectively, leaving a difference, or net position, of $47.4 billion and $50.8 billion at the end of each year.

Net Cost of Operations

The total net cost of DOL operations in FY 2004 was $56.7 billion, a 16 percent decrease from the prior year. The major portion of DOL costs comprise of Income Maintenance programs. Income maintenance expense includes costs such as unemployment checks paid to individuals who are laid off or out of work and seeking employment as well as payments to individuals who qualify for disability payments due to injury or illness suffered on the job.

Employment and Training programs comprise the second largest cost. These programs are designed to help individuals deal with the loss of a job, research new opportunities, find training to acquire different skills, start a new job or make long-term career plans. DOL's remaining costs fund programs to protect worker safety, health, and employment standards; to safeguard pension and health plan benefits; to provide statistical information; and to support departmental management and infrastructure.

Financing
The Statement of Financing reconciles the net cost of operations with the obligation of budgetary resources for the Department. DOL's operations are funded primarily by Unemployment Program employer taxes, appropriations received, and investment interest earned from various trust funds.

Statement of Budgetary Resources
This statement reports the amount of resources received to effectively carry out the activities of the Department as well as the status of those resources at the end of the fiscal year. DOL had direct obligations of $61 billion in FY 2004, a decrease of $10 billion from FY 2003.

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

Improper Payments Information Act Compliance

Identifying and reducing improper payments continues to be a major financial management focus for the Federal Government in FY 2004. A key component of the President's Management Agenda is to improve agency financial performance through reductions in improper payments. The Office of Management Budget (OMB) originally provided Section 57 of Circular A-11 as guidance for Agencies to identify and reduce improper payments for selected programs.[6] The Improper Payments Information Act of 2002 (IPIA) broadened the original erroneous payment reporting requirements to programs and activities beyond those originally listed in Circular A-11. The IPIA requires Agencies to report annually on the extent of improper payments and the actions taken to increase the accuracy of payments.

The Department has historically been engaged in efforts to reduce improper payments, as shown by the Agency's commitment to the Benefit Accuracy Measurement (BAM) program, which statistically quantifies and reports the Unemployment Insurance Program's erroneous payment performance. This measurement program has been in place for more than 15 years and includes sampling activities to identify errors, fraud, and abuses. To coordinate and facilitate the Department's efforts under the IPIA, the Chief Financial Officer (CFO) was designated as the Erroneous Payment Reduction Coordinator for the Department in FY 2004. The Office of the Chief Financial Officer (OCFO) worked with program offices to develop a coordinated strategy to perform annual reviews for all programs and activities susceptible to improper payments. This cooperative effort included developing actions to reduce improper payments, identifying and conducting ongoing monitoring techniques, and establishing appropriate corrective action initiatives.

Methodology
To identify Agency programs that meet IPIA reporting requirements, the Department established an inventory of existing programs and conducted an initial risk assessment. This risk assessment identified those programs and activities with potential improper payments exceeding both 2.5% of outlays and $10 million. The Department then conducted statistical sampling for any program or activity meeting the initial risk assessment thresholds, except for certain grant programs, which are discussed in the paragraph below. To produce timely and accurate results, the Department conducted the sampling using FY 2004 data. Agency programs and activities with an estimated annual amount of improper payments in excess of $10 million, and those required by Section 57, were identified as meeting the threshold for reporting.

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[6] Section 57 identified Unemployment Insurance (UI), Federal Employees' Compensation Act (FECA) and Workforce Investment Act (WIA) as programs required to report annual erroneous payments

Challenges of Grant Programs for IPIA Compliance

To achieve compliance for susceptible grant programs, the Department faces challenges similar to those of many other Federal Agencies. Often, grant programs are structured to provide Federal funds that empower local entities to operate programs based on local need. The Federal Government provides the monies to States, cities, counties, private non-profits, and other organizations to distribute these Federal funds. The Federal Government relies on single audit report findings from the Single Audit Act to monitor the recipients of these Federal funds. However, the single audits do not always contain the details necessary to meet the reporting requirements of the IPIA. Specifically, single audits do not have the detailed testing criteria or sufficient reporting requirements to provide the data necessary to statistically estimate improper payments within the grant programs. This limits access to the data needed to estimate aggregate Federal error rates.

Accomplishments and Plans for the Future

In FY 2004, the Department conducted the required initial risk assessment, statistically sampling all programs deemed susceptible and established appropriate reduction targets (save for the grant programs). The initial assessment identified 12 programs "susceptible" to improper payments. The Department conducted statistical sampling for 7 of these 12 programs. The remaining five programs, for which statistical sampling was not feasible for FY 2004, were grant programs. Only two of the seven programs (Unemployment Insurance and Federal Employees Compensation) met the IPIA reporting requirement thresholds.

Using analysis of the sampling data, the Department developed corrective action initiatives for the programs reporting in the Performance and Accountability Report (PAR). During the past year, many UI initiatives in particular delivered results. Specifically, access to the National Directory of New Hires and the Social Security Administration Data Exchange will enable States to reduce payments to ineligible recipients, a significant source of improper payments. Additionally, the Department is developing an approach to evaluate UI's corrective action initiatives through a performance measurement metrics pilot. This pilot will enable the sharing of best practices and comparative performance metrics among States by quantifying the successes associated with each initiative. Such data will allow States to direct funding to the initiatives with the most powerful effect on improper payments.

To address the challenges of grant programs the Department co-chaired the government-wide CFO Council's Erroneous and Improper Payments Grants Subcommittee. The Department made significant contributions to multiple recommendations that contemplate various solutions for grant programs. In FY 2004, the OCFO analyzed the Department's single audits to determine how modifications to the Circular A-133 Compliance Supplements will help to achieve IPIA compliance. The analysis confirmed that the most efficient means to gather data regarding Federal grant programs is to use the existing infrastructure provided by the Single Audit Act. The Department's grant analysis also produced recommended changes to testing and reporting requirements of Circular A-133 that are necessary to statistically estimate error rates. To further enhance these modifications, the Department intends to conduct a pilot for a selected grant program. The pilot would gather data using the single audits for a selected grant program and allow the Department to refine its initial Circular A-133 recommendations on how to better achieve estimates of improper payment rates at the Federal level.

Finally, the Department believes that IPIA implementation requires concerted support from component Agencies to realize significant results. As such, the Department's OCFO has initiated the development of assistance activities that, while focused on improving financial management and internal controls, will also coordinate program Agency efforts to achieve compliance with the IPIA. To ensure accountability for achieving real reductions, the Department will integrate IPIA efforts into the existing quarterly financial certification meetings with Agency heads. The development of this infrastructure is an important step in supporting the environment of accountability.

Other Significant Information

Audit Follow up
The Inspector General Act Amendments of 1988 require explanations for all audit reports with recommendations open for more than one year. DOL management and audit communities agree that some of these audit resolutions will require several years to complete the corrective action. As of September 30, 2004, 158 audit reports have been open for over one year. The total value of open audits of $236 million covers 739 separate recommendations.

DOL agencies and the OIG jointly manage and update an audit tracking system where the current status of each open audit is maintained. Final closure of the audit is determined only by final decisions of the reviewing officials. Many of these decisions take years before being rendered and the audit closed.

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

2004 Audit Summary as of 9/30/2004 ($ in thousands)	
Affected accounts in 158 audits with 739 recommendations over one year old…	$236,169
Less:	
Value of 18 open recommendations Under administrative law or Federal Court Appeal…	$ 14,211
Funds put to better use…	$ 12,794
Amounts referred or in process of referral to the Department of Treasury	$ 2,726
Balance of 158 open audits…	$206,438

Debt Management
The Debt Collection Improvement Act of 1996 (DCIA) designated the Department of the Treasury as the central agency for collection of Federal debts over 180 days delinquent, and DOL cross services all delinquent debts in accordance with this statute. Debt management accounts for a relatively small part of our financial management activity. The majority of debts managed by DOL relate to the assessment of fines and penalties in our enforcement programs. During FY 2004, the Department improved its compliance with DCIA and referred $79 million, which represents 96% of all eligible delinquent debt, to Treasury for collection. The amount of debt referred to Treasury in FY2003 was 92%.

User Charges - Policy Review Process
In accordance with the CFO Act and OMB Circular A-25, department wide guidance has been developed to establish policy, procedures, and responsibility for implementing and managing user charges in DOL. The guidance includes the biennial review requirements of the CFO Act. DOL continues to review and adjust user fees in programs to reflect current costs and market value of these services.

Prompt Payment Act
The Prompt Payment Act requires Executive agencies to pay commercial obligations within discreet time periods and to pay interest penalties when those time constraints are not met. In FY 2004, of approximately $1.2 billion in gross payments, $115,452 was paid in interest fees and penalties. Additionally, during FY 2004, there were over 66,000 payments made to vendors and travelers. Of this amount, 1,451 invoices were paid late resulting in only 2% of the total payments made during FY 2004 incurred interest penalties.

Electronic Fund Transfer (EFT)
On average, DOL made approximately 82 percent of its salary, awards, travel and miscellaneous payments electronically in FY 2004. The Department continues to lag behind Government averages due to the low EFT participation and the heavy volume in ESA's medical and benefits programs. These ESA programs account for over 71 percent of DOL's total payment volume.

DOL EFT Payments

	FY00	FY01	FY02	FY03	FY04
Administrative Vendors	64%	69%	74%	96%	78%
Travel & Miscellaneous	99%	99%	99%	99%	99%
Salary & Awards	97%	96%	98%	99%	99%
ESA Programs	27%	26%	28%	53%	44%
Total	41%	38%	39%	65%	53%

Source: DOL DOLAR$ and Payroll System EFT reports.

Management and Performance Challenges

DOL's Inspector General identified nine areas considered to be the most serious management challenges facing the Department:

- Reducing Improper Payments
- Safeguarding Unemployment Insurance
- Integrity of Foreign Labor Certification Programs
- Financial and Performance Accountability
- Systems Planning and Development
- Information Systems Security
- Security of Employee Benefit Plan Assets
- Accounting for Real Property
- Workforce Investment Act Reauthorization

Each issue is discussed briefly below, along with Departmental management's responses. Detailed descriptions of the challenges identified by the Office of Inspector General and the Department's responses are in the Management and Performance Challenges section of this report immediately following the Financial Section.

Reducing improper payments
Reducing improper payments in DOL administered benefit programs, including Unemployment Insurance (UI) and the Federal Employee Compensation Act (FECA) program, is a challenge to the Department. Improper payments include those made in the wrong amount, or to an ineligible recipient, or improperly used by the recipient. The need for Federal agencies to take action to eliminate overpayments is recognized by the President's Management Agenda (PMA) and the Improper Payments Information Act of 2002. UI overpayments by the states are projected by DOL at about $4 billion annually. The Department's estimate for FECA overpayments, which we consider conservative, is $10 million annually.

DOL response
ETA was very pleased with the enactment of a law based on draft legislation proposed by the Department that gives State UI agencies access to the National Directory of New Hires. This will enhance states' ability to detect unreported work violations by UI claimants working in other states or for certain multi-state employers who may be all new hires to only one state. ETA is working with the Department of Health and Human Services on the details of implementation and will encourage states to use the directory when it becomes accessible. ETA continues to promote activities to prevent and detect overpayments. In FY 2004, $2.3 million is being made available to states that submitted acceptable proposals to implement or enhance benefit payment control activities such as computer cross-matches to detect overpayments, for example, through the use of the states' Directories of New Hires as well as through an electronic data exchange between State UI agencies and the Social Security Administration.

Safeguarding Unemployment Insurance
Improving the integrity and solvency of the UI program to better serve qualified recipients is a challenge for the Department of Labor. During FY 2003, the UI program paid over $53 billion in income maintenance benefits to American workers. Among the difficulties faced by the program are inadequate Unemployment Trust Fund (UTF) reserves, overcharges for UTF administration, and the program's susceptibility to fraud schemes involving identity theft and organized crime.

DOL response
ETA again notes that there is no Federal solvency standard. There is nothing wrong from ETA's standpoint if a state must borrow from the fund. In fact, the greater the drawdown in states' solvency positions during a downturn, the greater the system would impact as an automatic economic stabilizer.

Integrity of Foreign Labor Certification Programs
Reducing the susceptibility of DOL foreign labor certification programs to abuse remains a challenge to the Department. These programs allow U.S. employers to hire foreign workers when their admission does not adversely impact the job opportunities, wages, and working conditions of citizens and legal residents. DOL received almost 400,000 employer applications for foreign workers through these programs in FY 2003. Problems with the integrity of the labor certification process and fraud against the program persist. This may

result in economic hardship for American workers, the abuse of foreign workers, and may have national security implications when applications are not adequately screened before being certified.

DOL response
ETA seeks to add clarification to the observations of the OIG. Our authority is not to investigate aliens for possible security risks, but rather to ascertain whether the area of intended employment has been adequately tested such that there are no available, willing, able, and prepared U.S. workers for the position being proposed by an employer.

Financial and Performance Accountability
In order to manage DOL programs for results and fully integrate budget and performance, the Department needs timely financial data, a managerial cost accounting system that matches cost information with program outcomes, quality performance data, and useful information from single audits that cover 90 % of its expenditures. While DOL has received high marks on the President's Management Agenda scorecard for financial performance and budget and performance integration, it faces challenges in fully implementing improvements undertaken in these areas.

DOL response
OCFO recognizes effective project management as a significant factor affecting the eventual success of the New Core Financial Management System Project (NCFMS). Effective and responsive project monitoring, oversight and controls, clear and effective direction, and governance systems can mitigate the risk of missing the intended end result. Project risks for NCFMS are managed through detailed project plans and resourced work breakdown structures (WBS). The project plan and WBS enable effective management of project tasks to be performed at the activity level, monitoring resource and time consumption, and comparing baseline estimates with actual costs and schedule. The project plan also includes activities associated with testing various software deliveries against DOL requirements documents and responding to regulatory requirements and changes. OCFO's partnership with the OIG will help ensure that all Federal financial system requirements and user needs are met.

Systems Planning and Development
Developing efficient and effective systems to perform the day-to-day business of DOL is also a challenge to the Department. Judicious planning and program management are critical to the implementation of new systems. Enduring problems in existing systems must also be addressed in a timely, effective manner. The OIG has concerns about insufficient planning for new DOL information technology and other systems. Lack of progress in addressing longstanding concerns in established programs like the Davis-Bacon prevailing wage determination process are also of concern.

DOL response
The Office of Chief Information Officer (OCIO) continues to implement a comprehensive project management structure that employs a rigorous system development life-cycle management process. This process includes checks and balances to ensure projects are executed according to plan, within budget, and meeting performance expectations. Systematic quarterly reviews are conducted during which the OCIO and the Departmental Budget Center evaluate the progress of information technology (IT) projects against a range of parameters, including: cost, schedule and performance; enterprise architecture alignment; and compliance with security requirements. IT development projects are then rated on quarterly review "scorecards" in each of these categories. The OCIO has also established policy for and implemented an earned value management system (EVMS) for major IT investments in FY 2004, which allows the cost, schedule and performance of major IT investments to be monitored over time.

Information Systems Security
As is the case for all government agencies, information technology security is an ongoing challenge for the Department of Labor because of new threats and increased automation through E-Government initiatives. Keeping up with these developments, and providing assurances that DOL systems will function reliably and safeguard information assets in an E-government environment require a sustained effort. The security of DOL IT systems and data is vital, since it relates to key economic indicators and the payment of billions of dollars to workers.

DOL response

The OCIO performed a comprehensive review of the Department's Security Program to measure its efficiency and effectiveness. This review included a broad assessment of security vulnerabilities identified by the OIG, as well as applicable Departmental IT security policies and procedures. Based on this review, a DOL Plan of actions and Milestones (POA&M) was developed which mapped out a strategy to mitigate the identified security vulnerabilities, including other program areas needing improvement. Agency senior management were advised by the Chief Information Officer to give priority and resources to their agency-specific vulnerabilities prior to funding new IT investments. Agencies were also advised to ensure these vulnerabilities and their corrective actions were documented in their Plans of Actions and Milestones (POA&Ms). In addition, the OCIO established several focus groups comprised of representatives from multiple Departmental agencies to leverage agency expertise and assistance in enhancing the Department's Cyber Security Program.

Security of Employee Benefit Plan Assets

Protecting the benefits of American workers, including pensions and health care, remains a significant challenge to the Department. DOL is responsible for overseeing and protecting the interests of participants in about 730,000 private pension plans and six million health and welfare plans covered by the Employee Retirement Income Security Act (ERISA). These pension plans hold over $4.8 trillion in assets and cover more than 150 million workers. Recent failures in corporate financial management and reporting, as well as in the auditing and oversight of these activities, show the need to enhance worker pension and healthcare security by expanding safeguards and improving benefit plan regulatory enforcement.

DOL response

The Department has responded to the challenge of pension plan fraud and mismanagement with a strong enforcement program accomplished through civil and criminal investigations of plans, plan sponsors, fiduciaries, and service providers. During FY 2004, the Department's Employee Benefits Security Administration (EBSA) achieved more than $3.1 billion in monetary results and 121 criminal indictments. Further, the Department continues to take steps to improve the financial audit process established by the Employee Retirement Income Security Act (ERISA). In February 2003, EBSA initiated its second nationwide review to assess the quality of employee benefit plan audits using a statistical sample of 300 plan audits, to assess compliance with professional accounting and auditing standards; a report of findings is pending. EBSA is also fully committed to enhancing health care security by putting an end to the fraudulent and abusive practices of corrupt Multiple Employer Welfare Arrangements (MEWAs) and their operators with a three-pronged approach: (1) emphasizing prevention by educating employers and consumers; (2) aggressively pursuing civil and criminal enforcement actions to shut down scams; and (3) supporting legislation to establish a secure and affordable alternative for small businesses looking to purchase health insurance for their workers – Association Health Plans (AHPs).

Accounting for Real Property

The Department is challenged to improve accountability for and management of millions of dollars worth of real property. The GAO designated Federal real property as a high-risk area in January 2003, and in February 2004 the position of Senior Real Property Officer for Federal Agencies was established by Executive Order. The President's Management Agenda also includes a government-wide initiative aimed at improving stewardship of Federal real property assets. With respect to the DOL, OIG audits have highlighted opportunities for improvement in real property management.

DOL response

ETA's Office of Financial Administration Services (OFAS) completed its first annual (physical) inventory of Job Corps capitalized real property in January 2004, which effectively resolved differences between Job Corps site survey data and the Capitalized Assets Tracking and Reporting System (CATARS). Procedures are in place to ensure that OFAS and Job Corp coordinate effectively to ensure future land acquisitions are entered within the ETA database in a timely manner. ETA generally agrees with the OIG that an accurate, up-to-date inventory and valuation of State Workforce Agency (SWA) real property must be maintained. Currently, ETA sends a letter to SWA Administrators every two years asking that ETA property records be reviewed and updated. ETA also has a Training and Employment Guidance Letter (TEGL) on SWA real property in the final clearance process, which requires states to report changes and/or updates to their real property data by November 30, 2004. States are also required to remit the proceeds from real property sales to DOL.

Workforce Investment Act Reauthorization
The Department also faces the challenge of improving Workforce Investment Act (WIA) programs through the WIA reauthorization process. To date Congress has not reauthorized the WIA legislation. Prior OIG audits identified areas in which WIA could be improved to better achieve its goals. Based on our audit work, the recommended changes are: increase training provider participation, improve dislocated worker program services and outcomes, improve documentation of youth program outcomes, and better assess states' current WIA funding availability. DOL has agreed to most of our recommendations, but many have yet to be implemented.

DOL response
As of September 2004, the House and Senate WIA reauthorization bills that were passed in 2003 are still awaiting conference. As noted in the examples from specific ETA Program Offices, the Department has taken numerous steps to address the concerns outlined in the OIG findings, even while we await further action on WIA reauthorization**.** In addition to the specific steps referenced above, ETA convened two Federal/State Policy Forums in 2004 to discuss high-level policy issues such as those identified by the OIG. The continued implementation of the President's High-Growth Job Training Initiative is also helping to address these key issues by funding innovative partnerships between the workforce investment system, business and training providers to train adults and young people for jobs that are in demand.

The President's Management Agenda

In August 2001, President Bush called for a government that is:

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

Together, initiatives created to achieve these goals are referred to as the President's Management Agenda (PMA). The five government wide initiatives are: *Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, Expanding Electronic Government*, and *Budget and Performance Integration*. In addition, DOL is responsible for two of the PMA components found in selected departments: *Faith-Based and Community Initiatives* and *Federal Real Property Asset Management.* The latter was just added in June 2004.

The Office of Management and Budget (OMB) regularly assesses all Federal agencies' implementation of the PMA, issuing an Executive Branch Management Scorecard rating of green, yellow or red for both status and progress on each initiative. The breakdown by initiative, comparing last year's ratings with those for FY 2004, is indicated in the table below. Under the OMB-led *Proud to Be* campaign, DOL set ambitious goals, demonstrated measurable progress and in just nine months elevated five of its status scores. The Department continues to be rated among the best Cabinet agencies in overall implementation of the PMA. Highlights of achievements associated with each initiative follow the table.

Executive Branch Management Scorecard	September 2003 Status	September 2004 Status
Human Capital	Yellow	Green
Competitive Sourcing	Red	Yellow
Financial Performance	Yellow	Green
E-Government	Yellow	Green
Budget & Performance Integration	Yellow	Green
Faith-Based and Community Initiatives	Yellow	Yellow
Real Property	NA	Red

Strategic Management of Human Capital
Competency models are the main criteria for rating candidates and for conducting skills assessments for development. Managerial and employee performance plans are being reviewed for clear links to outcome goals. A recent survey indicated a time-to-hire of 41days.

Competitive Sourcing
DOL has an ambitious plan to compete designated commercial functions by the end of FY 2007. In FY 2005, the plan includes 377 FTE – approximately half in Finance and Accounting and over 100 in Education and Training functions.

Improved Financial Performance
DOL earned elevation in the last quarter of FY 2004 by improving data integration practices. In FY 2005, the new Cost Analysis Manager tool will capture and report data that will achieve operational and program efficiencies. Improper payments identification and mitigation activity has moved beyond the sampling stage; a key priority for FY 2005 is development of approved plans for measurement of error rates and dollar amounts for remaining programs.

Expanding Electronic Government (E-government)
DOL achieved green status by developing acceptable business cases for all major systems in FY 2004 and by reaching other ambitious milestones. In FY 2005, DOL plans release of a Technical Security Manual and completion of a revised Capital Investment Plan.

Budget and Performance Integration
DOL earned a Green status score on this initiative by improving PART scores, creating efficiency measures for all programs, developing capabilities of full and marginal costing of performance goals and institutionalizing use of performance results to inform funding and strategic decisions.

Faith-Based and Community Initiatives
Since 2001, DOL has awarded 417 grants totaling $140.5 million as part of its ongoing efforts to implement the President's Faith-Based and Community Initiative. The Department is working with workforce boards nationwide to increase partnerships with faith-based and community organizations that help transition hard-to-serve individuals into employment. DOL recently invested $10 million in the *Ready4Work* Offender Reentry Program to enhance training and employment services at 18 reentry sites nationwide. The Department also published two final regulations in July 2004 designed to ensure the equal treatment of faith-based and community groups that partner with DOL.

Federal Real Property Asset Management
DOL's priorities for FY 2005 are development of an Asset Management Plan and performance measures for operational costs consistent with Federal Real Property Council standards.

Performance Section

Strategic Goal 1: A Prepared Workforce

Enhance Opportunities for America's Workforce

A strong national economy depends, in part, on preparing workers to be qualified job candidates possessing skills that are relevant to the needs of today's employers. In addressing this challenge, the Department must work with a wide spectrum of job seekers, including those with special needs such as the disadvantaged, people with disabilities, veterans, disadvantaged youth, and those who have lost their jobs due to foreign competition. Addressing the job seekers' needs is further complicated by the dynamics of the changing workplace. New technologies, increased competition, and changing labor markets have prompted employers to downsize, change employment patterns, and seek alternative labor sources such as qualified foreign workers.

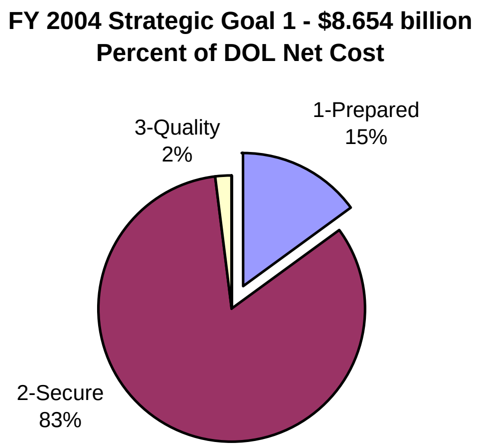
While employers and workers bear ultimate responsibility for adapting to these challenges, the Department has a leadership responsibility to support the needs of the changing workforce and position the U.S. for continued economic development and growth. This aspect of our mission is captured by the first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

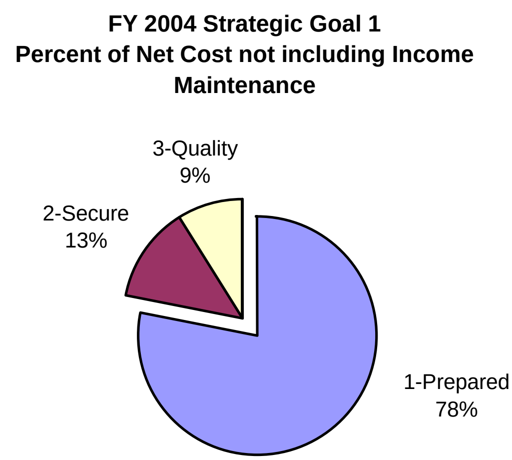
The Department's performance in achieving this goal is determined by accomplishments organized at the outcome goal level and measured at the performance goal level. Three broad objectives – Outcome Goals 1.1, 1.2 and 1.3 – support Strategic Goal 1, and they contain twelve performance goals (see table below). In FY 2004, the Department made further progress in positively impacting employment outcomes for Americans – despite the challenge of a persistently sluggish economy and its disproportionate effect on DOL target populations. Although just half of the performance goals were achieved, most targets were reached and all programs documented improved results.

Outcome Goal 1.1 − Increase Employment, Earnings, and Assistance 6 performance goals achieved & 2 not achieved	
WIA Adult (1.1A) – achieved	Employment, retention, and earnings improved.
Employment Service (1.1B) – achieved	All five targets were reached, including entry, retention, job listings and job searches.
Apprenticeship (1.1C) – achieved	Targets for new apprentices and new programs were both reached.
Disability Employment Policy (1.1D) – achieved	People served and the entered employment rate exceeded targets; baselines were established for retention rate and effective practices identified.
Veterans' public labor exchange (1.1E) – achieved	Both employment and retention rate targets were reached.
Homeless veterans' program (1.1F) – achieved	The single indicator target (entered employment rate) was reached.
Dislocated workers (1.1F) – not achieved	Employment and retention targets were both reached, but the earnings replacement target was not.
Trade Adjustment Assistance (1.1G) – not achieved	The retention target was reached. Entered employment and earnings replacement targets were not reached.
Outcome Goal 1.2 – Increase the Number of Youth Making A Successful Transition to Work 1 performance goal achieved & 2 not achieved	
WIA Youth (1.2A) – achieved	Diploma attainment for younger youth and entry to employment and retention for older youth all increased substantially.
Job Corps (1.2B) – not achieved	Targets for diplomas and average hourly wages were reached, while retention fell short.
Youth Opportunity Grants (1.2C) – not achieved	Diploma attainment and entry to employment saw healthy gains despite failing to reach targets but employment retention declined significantly.

Outcome Goal 1.3 – Improve the Effectiveness of Information and Analysis On The U.S. Economy 1 performance goal not achieved	
Bureau of Labor Statistics (1.3A) – not achieved	Targets were reached or substantially reached for seven of the eight performance indicators.

The following charts illustrate DOL's strategic goal net costs in FY 2004, with *A Prepared Workforce* shares set apart. The first allocates total Departmental costs of \$56.676 billion; the second allocates an adjusted net cost of \$11.102 billion that excludes major non-discretionary items associated with Strategic Goal 2.[7] Net costs of this goal in FY 2003 were \$6.923 billion. The increase occurred in large part because of relocation of the WIA Dislocated Worker and TAA programs to this goal from Goal 2; together, these two programs cost approximately \$2 billion annually.





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

[7] The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment (\$41.424 billion) plus disability benefit payments to individuals who suffered injury or illness on the job (\$4.150 billion).

Outcome Goal 1.1 – Increase Employment, Earnings, and Assistance

America's engine of prosperity is its skilled workforce. The Department assists workers and employers with valuable information and specific training to help them take full advantage of the constantly changing demands and resources in the labor market. Central to this effort is a nationwide network of approximately 2,000 DOL-funded One-Stop Career Centers which assist communities to match adults to work and skill enhancement opportunities. This comprehensive workforce development system also helps businesses meet their ongoing recruitment and human services needs. For those with disabilities, the One-Stop Centers have improved access to their facilities and services by installing assistive technologies. DOL is also making a special effort to help our nation's military service members adjust to and re-enter the civilian workforce, largely by providing priority services at all One-Stop Centers pursuant to the Jobs for Veterans Act of 2002.

The Employment and Training Administration (ETA) and the Veterans' Employment and Training Service (VETS), with support from the Women's Bureau, the Office of Faith-Based and Community Initiatives and the Office of Disability Employment Policy (ODEP), operate a number of programs that provide the information, assistance, and skill-building opportunities that lead to increased employment and earnings. In the first column of the table below appear the numbers, agencies, reporting periods[8], goal statements, and achievement for DOL performance goals associated with this outcome goal. The second column presents a summary of targets reached, substantially reached, and not reached for the indicators associated with each performance goal and the most significant result(s) for this past year.

Goal (Agency) – Period Goal Statement [Achievement]	**Performance Summary**
1.1A (ETA) – PY 2003 Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act Adult program. **[Achieved]**	The WIA Adult program reached all three targets (employment, retention, and earnings). Average earnings change improved 12% over PY 2002.
1.1B (ETA) – PY 2003 Improve the outcomes for job seekers and employers who receive public labor exchange services. **[Achieved]**	All five targets were reached by the Employment Service. Job openings listed rose by over two million (23%) from PY 2002.
1.1C (ETA) – FY 2004 Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21st Century. **[Achieved]**	Both Apprenticeship program targets were reached; new programs in High Growth Job Training Industries rose 32% to 526.
1.1D (ODEP) – FY 2004 Provide national leadership to increase access and employment opportunities for youth and adults with disabilities receiving employment, training, and employment support services by developing testing, and disseminating effective practices. **[Achieved]**	ODEP reached all four of its targets. The number of people served nearly tripled (from 2391 to 6397) and the entered employment rate at pilot sites rose to 19.2%. Baselines were established for the retention rate and for effective practices identified.
1.1E (VETS) – PY 2003 Increase the employment and retention rate of veteran job seekers registering for public labor exchange services. **[Achieved]**	Both targets (employment and retention rates for veterans receiving public labor exchange services) were reached – the latter by a margin of seven percentage points.
1.1F (VETS) – PY 2003 Veterans enrolled in Homeless Veterans' Reintegration Program (HVRP) enter employment. **[Achieved]**	The homeless veterans' program's single indicator target (entered employment rate) was reached, exceeding 60% for the second year in a row.

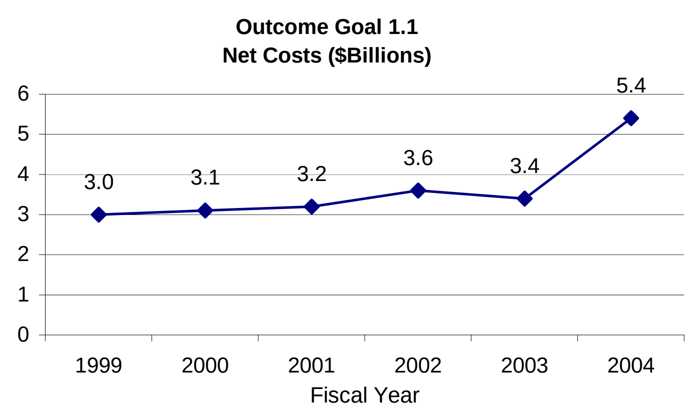
[8] Those applying to a Program Year (PY) are reporting on the period from July 1, 2003 to June 30, 2004 due to the forward funding mechanism of the Workforce Investment Act (WIA) of 1998.

Goal (Agency) – Period Goal Statement [Achievement]	Performance Summary
1.1F[9] (ETA) – PY 2003 Increase the employment, retention, and earnings replacement of individuals registered under the WIA Dislocated Worker program. **[Not Achieved]**	Dislocated workers' employment and retention targets were both reached, but the earnings replacement target was not. Trends in entry and retention are positive but earnings are not keeping up.
1.1G (ETA) – FY 2004 Increase the employment, retention, and earnings replacement of workers dislocated in important part because of trade and who receive trade adjustment assistance benefits. **[Not Achieved]**	Only the retention target for Trade Adjustment Assistance was reached. Entered employment and earnings replacement targets were not reached. All three trends are still down, with entry and retention only slightly so but earnings on a steady slide.

Net Cost of Programs

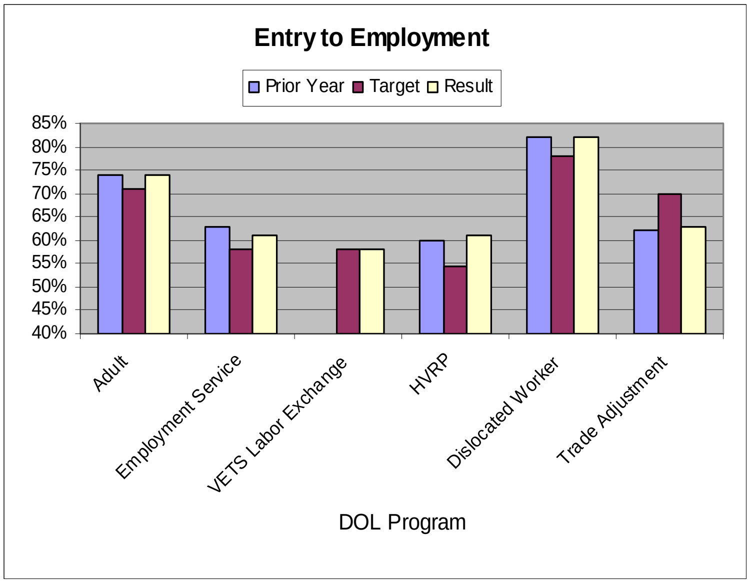
FY 2004 program costs of $5.4 billion supported Employment and Training Administration programs to provide employment and training for adults through formula grants to States, registered apprenticeship, and employment services; programs for dislocated workers; Veterans' Employment and Training Service assistance to veterans, including those who are homeless; Office of Disability Employment Policy efforts to develop, evaluate, and disseminate strategies to improve employment outcomes for job seekers with disabilities; Office of Faith Based and Community Initiatives contracting outreach; and Women's Bureau efforts to increase job opportunities for women.

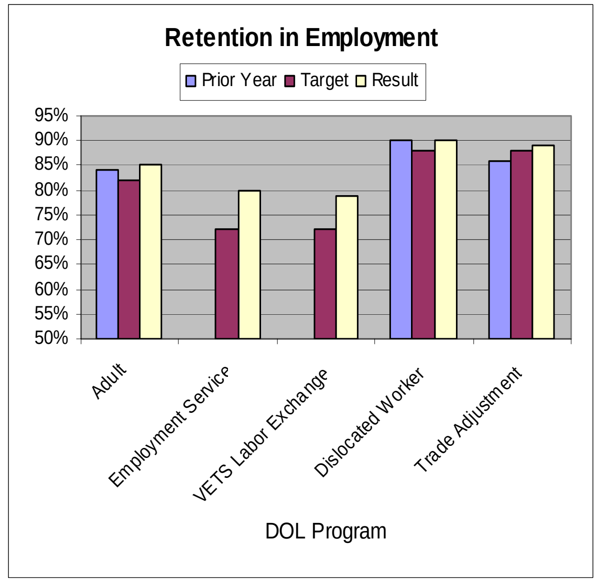
The $2 billion increase in costs for Outcome Goal 1.1 resulted almost entirely from moving the Dislocated Worker Program and Trade Adjustment Act performance goals from Strategic Goal 2 (Outcome Goal 2.3 in the DOL FY 2003 Performance and Accountability Report) and into Outcome Goal 1.1 in Strategic Goal 1. Therefore, these costs do not represent an increase in DOL costs but a shift of costs from one strategic goal to another.



[9] Listed as Performance Goal 2.3A in DOL FY 2003 Annual Performance Plan

Results Summary





Of the eight performance goals listed, DOL achieved six and did not achieve two. Overall, these programs reached targets for placing participants in the right jobs. However, due to continued challenging economic conditions, improvement of earnings was once again elusive for many of our programs.

Performance for most of DOL's employment and training programs is measured by entered employment – the percentage of participants who obtain jobs subsequent to receipt of services – and by retention – the percentage of those who obtained jobs who are still employed six months later. Earnings are another important indicator but until very recently, such data were not collected by all grantees, nor were the measures uniform. The charts below plot, for each program that tracks employment and retention rates, the result for the previous year (if available), the target for the reporting period and its actual (or estimated) result.

There are significant differences in entry and retention rates between programs; this can be explained by the types of services offered and the populations they serve. But year-on-year entry rates did not change significantly; in fact, they were unchanged for three of the five programs with data, increased slightly for one and declined slightly for another. This lack of progress was not entirely surprising; given the slow economic recovery, several targets were below prior year actual levels. The trend in retention rates is more positive. For the three programs with prior year data, one held steady, another increased slightly and a third went up by several percentage points. This, too, is consistent with what we know about the economic environment. Workers tend to hold on to positions when growth is less robust. Strategies that made positive contributions were: enhanced use of technology to provide universal access and target job search and training; further integration of the workforce development system via co-enrollment; expanded outreach to businesses (especially in high growth industries); and increased use of competitive grant processes.

Thanks to a Tennessee Customized Employment Partnership (TCEP) program funded in part by DOL's Office of Disability Employment Policy (ODEP), Brandi recently started work with Community Kids Child Care. She really enjoys interacting with the children and their families and appreciates the respect they show her. She also appreciates her higher salary. When she received her first paycheck, she tearfully told her Career Specialist "WOW! I think I'll take my mom out to dinner and give my tithes to my church." Brandi exited high school at age 22 with a special education diploma and was referred to TCEP two years later by a Vocational Rehab Counselor who worked with students transitioning out of high school. At that time, Brandi was working part-time but unhappy with her job because it featured very little social interaction. Brandi participated in a self-determination workshop series at a Career Center. Following the workshop, a Career Specialist helped Brandi develop an employment plan. As part of her plan, Brandi participated in National Disability Mentoring Day. The Career Specialist knew that Brandi enjoyed children and discovered the teacher's aide opportunity at Community Kids The Career Specialist also helped her learn how to use mass transit (buses), including transfers and various routes, to commute to and from work.

Photo credit: Valarie Bouchard

Future Challenges

One lesson from the first four years of WIA is that separate funding streams for services can have a negative impact on program performance due to duplication of the services and additional administrative support. The President proposed to consolidate funding streams for adult, dislocated worker, labor exchange and youth services when WIA is reauthorized. DOL will further implement its demand-driven strategy of identifying employers' needs and using that information to identify skilled workers and to develop suitable training programs. This includes expanded outreach to employers through the Business Relations Group (BRG), which encourages high-growth industries to list jobs with the one-stop delivery system. In addition, the Department is attempting to leverage its resources wherever possible by taking advantage of other workforce investment system services and focusing DOL efforts on core employment and training services. Another effort aims at providing an integrated service system for trade workers; alignment of Federal and State processes will enhance program results.

Management challenges include fully implementing the Jobs for Veterans Act of 2002, which calls for consideration and accommodation in integrating services for veterans at the State and local levels. An older challenge is data availability and timeliness, which received attention by the Government Accountability Office (GAO) in its June 2004 report *States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help* (see Study 9 in Appendix 2). Similarly, the Department's Office of Inspector General has questioned whether data reported by States for WIA performance were accurate and supportable. In response, DOL developed a data validation methodology, and provided handbooks, user guides, and software for all State workforce agencies. States were required to validate their PY 2003 WIA performance data reports using this methodology.

The Trade Adjustment Assistance (TAA) program has struggled with performance issues for several years, but is taking remedial action. In response to recommendations from the Program Assessment Rating Tool (PART) reviews in recent years, new agreements between the Secretary of Labor and the States' Governors will include performance expectations to encourage better results. Additionally, TAA will adopt the common measures for Federal employment and job training programs, with implementation complete by late FY 2005 or early FY 2006. Use of common measures will align Trade Act program measures with those for the WIA Dislocated Worker program and promote the goals of co-enrollment and coordination between the two programs. Also, DOL is conducting a five-year impact evaluation of the TAA program (final report in FY 2010). Recommendations will be used to improve performance, to assess implementation of the Trade Reform Act and to inform the TAA reauthorization process.

Increase Employment, Retention, and Earnings for Qualified Adults

Performance Goal 1.1A (ETA) – PY 2003

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

Indicators
71 percent will be employed in the first quarter after program exit;

82 percent of those employed in the first quarter after program exit will be employed in the third quarter after program exit; and

The average earnings change will be $3,100 for those who are employed in the first quarter after program exit and are still employed in the third quarter after program exit.

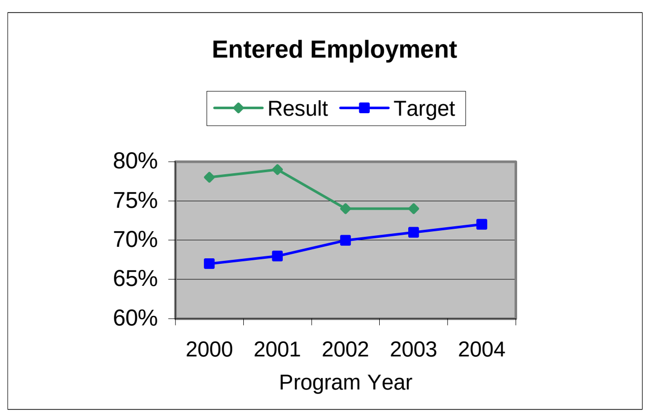
Program Perspective
The Workforce Investment Act (WIA) Adult program is designed to help adult participants acquire the skills and jobs that they need to compete in a global economy. Funds are provided by formula to states and local communities allowing them to operate statewide networks of One-Stop Career Centers, which provide core, intensive, training, and supportive services to workers and employers. DOL uses three indicators to evaluate the success and effectiveness of WIA employment and training services for adults: entered employment, retention and earnings change. A high entered employment rate indicates that participants have improved financial security. A high retention rate indicates stability of participants' new positions. Higher earnings reflect effective assistance, especially of training services.

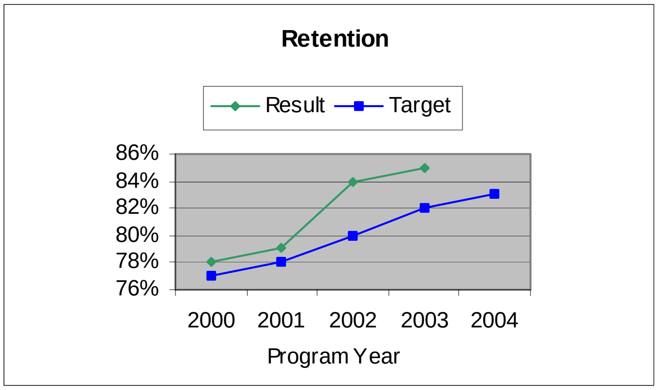
National labor market conditions strongly influence the WIA Adult program outcomes. In periods of economic expansion, as experienced in the late 1990s, outcomes met or exceeded targets. In recent years, as the economy began to recover from the recession of 2001, further improvement in employment and retention rates and earnings change has been more difficult. Despite this challenge, DOL continued to improve its integrated one-stop delivery system, thereby allowing the program to raise standards for performance beyond FY 2000 baselines. Over the past four years, targets for entered employment and retention increased a total of six and seven percentage points, respectively. The earnings change target has been adjusted to more accurately reflect the current economic operating context.

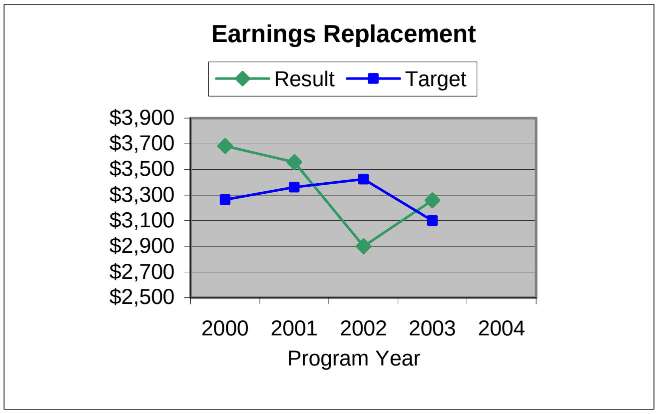
Results, Analysis and Future Plans
Performance Goal 1.1A (ETA) was achieved.

- 74 percent were employed in the first quarter after program exit.
- 85 percent were employed in the third quarter after program exit.
- $3,260 was the increased average earnings for those employed in the third quarter after program exit.

The entered employment rate of 74 percent and the employment retention rate of 85 percent exceeded the targets by three percentage points, respectively. The earnings change of $3,260 exceeded the target by $160. As illustrated in the charts, conditions are generally improving. The entered employment and retention outcomes have remained above the targets, while the outcomes for earnings increase rose significantly from $2,900 in PY 2002 to $3,260 in PY 2003.







The demand for goods and services over the past year, as indicated by the major economic indicators, has a positive effect on the people served by the Adult program. The drop in the unemployment rate from 6.3 percent last year (CY 2003) to 5.6 percent gave a boost to the program outcome and partially accounts for the gains in earnings above the target.

To continuously improve the outcomes of WIA participants, the Department is producing new tools, creating incentives, and simplifying the coordinating process. Key strategies include:

Strengthening business relationships to assure demand-driven services and to better identify and fill jobs in growth occupations. The intent is to focus the workforce investment system on the President's High Growth Job Training Initiative. The purpose of which is to serve America's growing industries and to match workers with jobs in demand.

Assuring universal access to the workforce investment system with emphasis on targeted outreach. DOL continues to provide incentives for state and local program operators to increase the number of qualified referrals to growth occupations from traditionally underutilized labor pools.

Leveraging WIA resources to increase total resources available to prepare the workforce. DOL will work with other Federal agencies to set optimum conditions allowing for co-enrollment in programs without creating negative consequences for performance levels.

Craig has good reason to be a big believer in the public workforce investment system. In 2002, shortly after learning of his infant daughter's serious illness, Craig received the difficult news that he would be losing his job. The months ahead proved strenuous, as his family of four fought to meet their most basic needs. After a futile job hunt, Craig learned about Job Training for Beaver County, Inc. (JTBC) at the Beaver County CareerLink of Pennsylvania. He was able to take courses in A+ and Network+ Computer Training and received a graduating certificate in August 2002. His case manager referred him to the Job Search Training Program (JSTP) sponsored by JTBC. JTBC staff helped build Craig's interviewing skills and gave him the confidence to land a computer Network Administrator job with Challenges: Options in Aging – a Catholic Charities program operated through the Diocese of Pittsburgh. Currently, Craig is the troubleshooter for a six county area. With the training he received from JTBC, he has been able to go from a minimum wage job with no future to a job that gives him a stable career ladder and yearly wage increases. Craig and his family are grateful to the Job Training for Beaver County, Inc. and now believe the sky is the limit!

Photo credit: Jarod McDowell

Management Issues
In response to recent concerns raised by the Office of Inspector General regarding whether data reported by States for WIA performance were accurate and supportable, DOL developed a data validation methodology, and provided handbooks, user guides, and software for all State workforce agencies. States were required to validate their PY 2003 WIA performance data using this methodology.

One lesson from the first four years of WIA is that separate funding streams for services can have a negative impact on program performance because of the duplication of the services and additional money spent on administrative support. The Department proposes to address this barrier by consolidating these funding streams when WIA is reauthorized.

The Government Accountability Office (GAO) released a report on WIA in June 2004: *States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help* (Study 9 in Appendix 2). The report examined data availability and timeliness issues. ETA also contracted with an independent research team to conduct an evaluation of the Workforce Investment Act of 1998. The study, *The Workforce Investment Act in Eight States: State Case Studies from a Field Network Evaluation* (Study 21 in Appendix 2), examined national goals and the roles of Federal, State, and local partners in implementing the law in eight states. Another independent study, *Creating Partnerships for Workforce Investment: How Services are Provided Under WIA* (Study 20 in Appendix 2), presents findings from case studies of sixteen local boards across eight states that may help other local boards in developing local systems.

Improve Employment for Public Labor Exchange Users

Performance Goal 1.1B (ETA) – PY 2003

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

Indicators
58 percent of job seekers who register with the public labor exchange will enter employment with a new employer by the end of the second quarter following registration;

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

The number of job openings listed with the public labor exchange (with State workforce agencies and America's Job Bank (AJB) will increase 1% over PY 2002, as adjusted for economic fluctuation. PY 2002 result was 10.2 million (6.1 million listed with State workforce agencies and 4.1 million listed with AJB);

The number of job searches conducted by job seekers from America's Job Bank will be collected to determine a baseline for setting future performance targets; and

The number of resume searches conducted by employers from America's Job Bank will be collected to determine a baseline for setting future performance targets.

Program Perspective
The purpose of the public labor exchange is to match labor market demand with supply by providing businesses that have employment openings with appropriate job seekers to fill their vacancies. As part of this process, the public labor exchange system receives and publishes job openings, either through businesses posting their openings with State workforce agencies, or through America's Job Bank, a national Internet site that provides another access point to the public labor exchange system.

The public labor exchange system's effectiveness is measured by the success of job seeker customers in finding and retaining employment. The performance of the public labor exchange is largely a function of the labor market – the number and quality of jobs and workers available. For example, during Program Year 2003 (July 2003 to June 2004), the nation's unemployment rate dropped from 6.2 percent to 5.6 percent. In this period, ETA saw an increase in the number of job openings posted with State workforce agencies and America's Job Bank, in particular in the information, professional and transportation industries. Second, ETA encouraged States to register job seekers that receive automated, self-directed and/or staff-assisted services. Job seekers using self-service tools have been shown to have a positive impact on the entered employment rate, since they are generally more job ready than other (traditional) customers of the public labor exchange.

Results, Analysis and Future Plans
Performance Goal 1.1B (ETA) was achieved; all indicator targets were reached.

- 61 percent of job seekers registered with the public labor exchange entered employment with a new employer by the end of the second quarter following registration.
- 80 percent of the job seekers that entered employment continued to be employed two quarters after initial entry to employment with a new employer.
- 6.6 million job openings were listed with the State workforce agencies and 5.9 million were listed with America's Job Bank for a total of 12.5 million openings in PY 2003.
- A baseline of 169 million job searches conducted by job seekers on America's Job Bank was established in PY 2003 and will be used to set future performance targets.
- A baseline of 8 million resume searches conducted by employers on America's Job Bank was established in PY 2003 and will be used to determine a baseline for setting future performance targets.

The reports submitted by the States for the quarter ending June 30, 2004 served as the first set of reports reflecting a complete program year (PY 2002) of entered employment outcome data on job seekers registered with the public labor exchange. These reports also contained two quarters of employment retention data on a subset of PY 2002 labor exchange registrants for whom retention outcomes using wage record matches are available. The number of job openings in PY 2003 represents a roughly 22.5 percent increase over the PY 2002 level. The entered employment rate and the retention rate together function as true indicators of the labor exchange's success. The entered employment rate points to the ability of the workforce system to meet the employment needs of workers, the majority of whom are unemployed, in an efficient and cost effective manner. The retention rate outcome shows registrants are being placed in jobs that match employers' needs and the individuals' interests. Among strategies to continually improve performance, DOL has aggressively expanded outreach efforts to employers through the Business Relations Group (BRG) which has worked to partner high-growth industries to list jobs with the one-stop delivery system. This dialogue is helping to match willing jobseekers with willing employers.

In PY 2004, the Employment Service will actively participate in DOL efforts to research statistical models for goal setting purposes and implement a pilot with the Veterans Employment and Training Service to move toward an earnings gain measure for the public labor exchange.

Electronic tools are changing the way the public workforce system does business by making important employment services just a "click" away. The Employ Kentucky Operating System (EKOS), a new electronic self-registration system for employers and job seekers, is helping match qualified job seekers to employers' needs. Employers can register jobs and search for qualified applicants using the system's user-friendly features while job seekers receive phone calls and e-mails alerting them to job openings that fit their occupation criteria. Currently, there are over 500,000 job titles listed in the system. Employers who place job orders in EKOS have exposure to over 200,000 registered applicants. The goal remains simple: Help American workers with the right skills find the right jobs.
Photo credit: Corlene Schnitzen and Darnell Nunnery

Management Issues
The Employment Service (ES) is a participant in ETA's data validation initiative which ensures the reliability of performance data submitted to ETA from state partners. A significant number of states are using the ES Report Validation Software and/or the Data Analysis and Reporting Tool (DART) software, both of which have been validated as accurate by ETA. In addition, a data warehousing project was recently completed at the America's Job Bank Service Center against which queries can now be run to provide more accurate counts of the number of job openings received and job and resume searches conducted on America's Job Bank.

The primary management issue facing the Employment Service is accomplishing closer integration of the program with the Workforce Investment Act (WIA) Adult and Dislocated Worker programs, either through reauthorizing the WIA and possibly consolidating all adult services into a single funding stream or through policy guidance and administrative and/or regulatory action. The implementation of the common measures initiative and its associated single data collection and reporting system to capture outcomes will also be a major activity for the Employment Service over the coming year.

Satisfy High Growth Industry Labor Needs via Apprenticeships

Performance Goal 1.1C (ETA) – FY 2004

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

Indicators
Increase the number of new programs registered by OATELS staff in industries that comprise High Growth Job Training Industries from the FY 2003 result of 359 to 366; and

Increase the number of new apprentices registered by OATELS staff over the established baseline from 67,401 to 68,592.

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

The President's High Growth Job Training Initiative (HGJTI) identified the following as growth industries: aerospace; automotive; biotechnology; energy; geospatial; health care; high-technology manufacturing; hospitality; information technology; retail trade; and transportation. DOL seeks to strengthen the National Registered Apprenticeship System to provide more opportunities for workers to find jobs requiring recognized credentials. It allows employees to get the skilled workers that they need to stay competitive and keep the economy growing.

Results, Analysis and Future Plans
Performance Goal 1.1C (ETA) was achieved. The number of new apprenticeship programs in industries that comprise the HGJTI was 526, exceeding the target of 366, and the number of new apprentices registered by ETA's Office of Apprenticeship Training, Employer and Labor Services (OATELS) staff was 69,597, compared to its target of 68,592 apprentices.

OATELS has promoted, marketed, and provided technical assistance to new and existing sponsors to develop, register, and maintain apprenticeship programs and apprentices, and provided technical assistance to SAC staff. Consultative sales techniques have been instrumental in the program's success. Since the initial Consultative/Solutions Sales Techniques training began in June 2003, the number of programs and apprentices in new and emerging High Growth Jobs Training Initiative (HGJTI) industries has grown significantly. Activities in HGJTI are thriving throughout the country. Employers in new and emerging industries are becoming increasingly interested in using the apprenticeship concept to develop professional workers.

DOL mounted several pilot programs to improve OATELS. President Bush showcased the National Information Technology Apprenticeship System project at a community college in Arizona. This pilot is designed to improve the productivity of American information technology (IT) workers, lower the cost of hiring and training for American employers and provide a structured approach to IT career development throughout the national workforce investment system. Another pilot, the National Institute for Metalworking Skills (NIMS), has designed the National Competency Based Apprenticeship System. This new system of training and credentialing fundamentally changes and dramatically improves the way that skilled workers are trained in the American metalworking industry. Key to the new system is the integration of standards-based credentialing assessments linked with relevant on-the-job-training. This provides maximum flexibility for apprentices and employers alike, increases precision and productivity through the introduction of technology as part of the skill standards, and opens career ladders through the metalworking industry.

Charles had his dreams of becoming a world-class athlete come to fruition the day he was drafted by the Los Angeles Rams in 1993. Charles had graduated with a Bachelor of Arts degree from the University of Wisconsin at Madison, earlier that same year. He continued this dream until an injury ended his professional football career in 1997. Unwilling to be discouraged, Charles set out on a new path to further his skills and find new success. In 1999, Charles registered as an Electrician Apprentice where he has worked his way up to Journeyperson Electrician this past June 2004. He has had the opportunity to work on high profile assignments such as the Center for the Arts Project in Madison, Wisconsin. Though his salary is less than his football playing days, his current yearly earning is a competitive $52,300. Charles credits his apprenticeship experience with giving him the skills to remain self-sufficient and the opportunity for new found job success. According to Charles, football and apprenticeship are similar. In football, there is a start and finish process (touchdown). In apprenticeship, you need to keep learning and honing skills, troubleshoot, and train other apprentices as you pass on the skills. He has his eyes set on a new prize, Master Electrician!

Photo credit: Debra J. Schanke and Mary C. Harrington

Management Issues

During FY 2004, modifications to the Registered Apprenticeship Information System (RAIS) were made. RAIS provides extensive data regarding the Apprenticeship system itself, participants, programs, and demographics. Some mandatory fields for reporting were instituted as well as restrictions on reported values. These changes have made RAIS a more reliable database that is easier to use for detailed analysis. As part of the OATELS performance management process, each region was required to conduct an audit of 80 percent of all existing Apprenticeship programs to insure that all data and fields were complete and correct. Preliminary reports from the regions indicate that over 70 percent of the RAIS data has been reviewed. While the Apprenticeship program has made significant progress in improving data quality over the past years, there is still a need to continue to improve data quality through ongoing data validation. Efforts continue to obtain more participation by SAC States to make RAIS a reliable database of the National Registered Apprenticeship System.

Expansion of new Registered Apprenticeship programs is dependent upon economic conditions. If certain industries are downsizing their workforce, they are less likely to institute new Registered Apprentice programs. Conversely, as success in the new and emerging high growth jobs and industries demonstrates, there are opportunities to expand the Apprenticeship programs.

FY 2005 will be a transitional year for evaluating performance in the Apprenticeship program. This will be the first year that the program will be using measures of employment, retention, wage gain, and efficiency. However, due to data limitations, the program will not be able to calculate outcomes based on the Common Measures methodology. Rather, the program will have proxy measures that resemble the Common Measures. This first step will allow the program to collect valuable data that will help inform the establishment of baselines. Actions to resolve data issues will continue to be pursued in FY 2006 to enable ETA to use the Common Measures for the Apprenticeship program.

Increase Employment for Persons with Disabilities

Performance Goal 1.1D (ODEP) – FY 2004

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

Indicators
Increase by 5% the number of people with disabilities served through ODEP projects.

Increase by 5% the entered employment rate at pilot sites.

Increase by 10% the 3-month and 6-month retention rates for people with disabilities served by the pilots; and

Increase by 10% effective practices identified through pilot projects and other research-related initiatives.

Program Perspective
The Office of Disability Employment Policy (ODEP) provides national leadership on disability employment policy to the Department of Labor (DOL) and other Federal agencies. ODEP develops and influences disability employment policy through reviewing legislation and policies; collaborating on inter- and intra-agency Federal efforts; partnerships with State, local, and non-governmental stakeholders; designing and conducting research studies and pilot projects; and promoting policies, practices and initiatives that increase the employment of people with disabilities. ODEP implements the employment-related goals of President Bush's *New Freedom Initiative.* This initiative expands research in and access to assistive and universally designed technologies, further integrates Americans with disabilities into the workforce and helps remove barriers to participation in community life.

According to the U.S. Census Bureau, among the non-institutionalized population aged 16-64 in the United States, 33 million people have disabilities. Of this group, 18.6 million people with disabilities, or 56 percent, are employed. According to the Department of Labor's Bureau of Labor Statistics (BLS), projections for employment between 2002 and 2012 show an increase of 21.3 million jobs, about 600,000 more jobs than were added in the previous decade. This presents a unique opportunity to promote disability employment policies and practices that will most effectively reach into the untapped pool of people with disabilities.

Nineteen year-old Martin came to the Tennessee Career Center to find a job. After meeting with Martin and learning about his experience and interests, a customized employment Career Specialist provided Martin with more intensive assistance. Martin had no prior work experience, but he cared for a miniature horse and pygmy goats at home and was very interested in working with animals. Martin and the Career Specialist determined that Martin would benefit from having an opportunity to observe work with animals. The Career Specialist placed Martin at a local farm where he assisted with the care and training of horses, but he soon discovered that he was better suited to working with small animals. The Career Specialist identified the John Sevier Animal Clinic, which hires kennel workers who aspire to become veterinary technicians, as having a need for part-time assistance. The supervisor arranged an "observation day" for Martin at the clinic. Martin greatly enjoyed his observation and soon started work there. Martin is successfully completing his kennel worker duties and performing some veterinary technician duties.

Photo credit: Tennessee Customized Employment Partnership

Results, Analysis and Future Plans
ODEP achieved its goal. In FY 2004 ODEP adopted a new goal and four new indicators that measure increases in the number served, employed, retained (at three and at six months), and in the number of effective practices identified through ODEP pilot projects. ODEP was able to use data from pilot projects implemented in FY 2003 to compile results for indicators one and two (number served and number employed). Based on available data through the end of the 3rd quarter, performance has surpassed expectations. For indicators three and four, ODEP established baselines.

In FY 2004, a total of more than 6,000 people were served through the various pilot projects administered by ODEP. More than 900 participants (19.2 percent) entered employment through the pilot sites. Retention baselines were established at 12.3 percent at three months and 6.9 percent at six months. The baseline for effective practices is ten. Based on results of rigorous evaluations and periodic employment outcome analysis, ODEP will continue to refine, modify and adjust the figures for these indicators

In FY 2005 the Department will continue evaluating workforce development system practices through pilot and research projects and programs. These activities develop effective practices and policies for dissemination to the workforce development system and partners providing employment, training, and employment support services to adults and youth with disabilities.

Keith, an amiable young man with Cerebral Palsy, was one of the first referrals to ODEP's Customized Employment project in Hempstead, NY. The search for competitive employment has been a long road. Keith is a wheelchair user, has limited use of his hands, and his speech can be difficult to understand. Through grant funding, we were able to assess his skills, interests and assistive technology needs. Keith revealed during a planning meeting that he had very limited work experience and was willing to explore any available opportunities. With all this in mind, the Placement Specialist developed an individualized employment plan and negotiated a clerical job try-out at a local church. DOL staff had an idea of what he was capable of doing, however on the first day he accomplished things we had not even considered. His job tasks include photocopying documents and stuffing envelopes. With help from an Occupational Therapist at Abilities' Kornreich Technology Center, Staff designed a device to hold envelopes upright and to facilitate the insertion of papers with greater ease. Keith is doing well with the job try-out, and the employer has indicated that they may be interested in hiring him on a part-time basis.
Photo credit: Abilities, Inc.

Management Issues
ODEP's pilot projects collect data to determine the effectiveness of disability employment strategies evaluated in ODEP pilot projects for dissemination throughout the workforce development system. Data are collected and assessed internally and externally. ODEP requires quarterly project reports, visits project sites, and holds regular conference calls with project staff. ODEP also contracts with an external evaluator to independently verify data collected in pilot project reports, review project documents and activities, and visit project sites.

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

ODEP's multi-year case study examines strategies implemented to serve the employment needs of persons with disabilities and the supports needed to provide efficient and universal access to the services of the workforce development system at 12 WIA-assisted locations (six adult and six youth). Findings thus far include the needs: (1) to enhance physical accessibility to service centers; (2) to increase staff familiarity with assistive technology; (3) to integrate mandated and non-mandated disability partners into the overall services of the One-Stop Centers such as Vocational Rehabilitation; (4) to train and educate staff to work with individuals with a disability; (5) to centralize data banks and standardize data collection techniques; and (6) for cross-agency training.

Help Veterans Get and Keep Jobs

Performance Goal 1.1E (VETS) – PY 2003[10]

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

Indicators
58% of veteran job seekers will be employed in the first or second quarter following registration; and

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

Program Perspective
VETS delivers employment services to veterans through grants to State Workforce Agencies (SWAs), so that unemployed and underemployed veterans receive the assistance needed to obtain suitable employment. These grants fund positions for Disabled Veterans' Outreach Program (DVOP) specialists and Local Veterans' Employment Representatives (LVER), who are assigned to public labor exchange offices nationwide. The DVOP and LVER staff cadre focuses the resources of the public labor exchange on veterans' specific employment needs.

VETS currently measures entry to employment and retention in employment as fundamental outcomes of public labor exchange services. Because results through June 30, 2004 represent the first year's outcomes under a new reporting system, comparable historical results are not available. A key strength of the new reporting system is that it links delivery of services with the earnings of the veterans served, as documented in Unemployment Insurance (UI) wage records.

Results, Analysis and Future Plans
Performance Goal 1.1E (VETS) was achieved. Targets for Entered Employment Rate and Employment Retention were reached, as 58 percent of veteran job seekers were employed in the first or second quarter following registration and 79 percent of veteran job seekers continue to be employed two quarters after initial entry into employment with a new employer.

The reports submitted for the quarter ending June 30, 2004 provide the first entered employment outcomes for veteran job seekers reported over a full Program Year (PY), based upon the new UI wage record reporting system. These reports also provide the first employment retention outcomes for veterans using the UI reporting system, including data from the first two quarters of PY 2003. These first outcomes represent the fulfillment of a long-term process of development, initial implementation, and transition of the new reporting system. During that same time period, in partnership with ETA, VETS has been developing and implementing new performance measures. VETS conducted pilot data collection initiatives applying the new reporting procedures to Program Years 1999, 2000, and 2001 in order to establish baseline measures under the new system. For PY 2002-2003 VETS field staff and staff affiliated with State Workforce Agencies in every State negotiated performance measures for veterans served by the public labor exchange. Extensive coordination with program stakeholders likely played a key role in the success of the public labor exchange in reaching this first set of targeted outcomes for veterans under the new reporting and measurement conditions.

Entry to employment for veterans served by the public labor exchange was applied as an indicator under the prior system of measurement and reporting. However, PY 2003 marked the first time retention in employment was applied. The successful outcomes attained during this first year of experience with this target provide a basis for VETS to adjust future performance targets. For PY 2004, an Entered Employment Rate target for disabled veterans has been added. In addition to these enhancements to VETS' performance measurement systems, which are scheduled for implementation during PY 2004 and PY 2005, VETS and ETA will collaborate to establish baseline values for measures of Earnings Gain and Efficiency, in accord with the Common Measures.

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[10] This goal appeared in the DOL FY 2003 Annual Performance Plan as a fiscal year goal. Due to the data system transition described in this narrative, it was converted to a Program Year 2003 goal. Accordingly, results presented are for the period July 1, 2003 to June 30, 2004.

Photo credit: VETS

Donald was wounded in combat during Operation Desert Shield in 1990. His wounds resulted in the loss of an arm below the elbow and the loss of a leg below the knee. Keeping a positive attitude throughout this ordeal, Donald was determined that his disabilities would not keep him from leading a productive life. In 1992, he was honorably discharged from the Army and received a 100% service connected disability rating from the US Department of Veterans Affairs. Donald started his own excavating and snow plowing business and wanted to expand. He contacted the Erie CareerLink because his disability precluded him from obtaining the commercial driver's license he needed to expand his business. The veterans staff helped him with enrollment and funding assistance for a training program that led to acquisition of the license. Because of his persistence and dedication, the Erie CareerLink nominated Donald for the Disabled Veteran of the Year award.

Management Issues

Limitations of the new performance data reporting system include: a) not all types of earnings are captured by UI wage records; b) the types of earnings captured by UI wage records vary across States; and, c) the linkage documented between the receipt of public labor exchange services and the receipt of earnings captured by UI wage records cannot be assumed to establish a causal connection between these two events.

Early in FY 2004, Battelle Memorial Institute completed a long-term policy research project examining the needs of unemployed veterans, and the extent to which those needs are met by the public labor exchange (Study 25 in Appendix 2). The study indicated that traditional labor exchange services, such as job search and referral, were associated with the most favorable outcomes for young, recently separated veterans. Case management, which is an intensive service typically provided by VETS funded staff, was associated with the most favorable outcomes for older, recently separated veterans. An implication of these results is that further exploration is called for to identify a service delivery approach that would improve outcomes for veterans who are not recently separated.

With the advent of UI wage record based reporting, lag time in reporting outcomes has become a major concern. A study conducted during FY 2004 by Bradson Corporation identified two potential supplementary measurement strategies (Study 26 in Appendix 2). The first involves an application of unemployment data to identify those States in which veteran unemployment is high relative to non-veteran unemployment. The second calls for enlisting selected States to apply Report of Hires data to provide an early indication of expected outcomes based on subsequent application of UI wage records. VETS is confirming the technical feasibility of the first strategy, and the operational feasibility of the second strategy.

The Jobs for Veterans Act, passed late in 2002, established a new statutory requirement that veterans be accorded priority of service in all Department of Labor training programs. The impact of this new provision falls primarily upon workforce development programs funded by ETA. In response to the new mandate, DOL funded a study, conducted by the Urban Institute, to identify strategies that could be applied to implement this requirement (Study 27 in Appendix 2). The study examined procedures applied in One-Stop Career Centers, as well as options offered by electronic resources, and recommended a) establishment of performance goals for priority of service; b) refinements in office operations; and c) enhancements to electronic resources.

An urgent financial management issue involving the DVOP/LVER grants – VETS' contribution to the public labor exchange – has arisen in connection with recent legislative changes that expanded permissible expenses. Open questions include expense categories to be applied to direct and indirect charges and the acceptable ratio of indirect to direct charges. VETS has launched an initiative to resolve this issue in consultation with representatives of the SWAs.

Homeless Veterans Are Assisted to Obtain Employment

Performance Goal 1.1F (VETS) – PY 2003[11]

Veterans enrolled in Homeless Veterans' Reintegration Program (HVRP) enter employment

Indicator
At least 54.5 percent of veterans enrolled in Homeless Veteran Reintegration Project grants enter employment.

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

Entry to employment has been emphasized as the most appropriate outcome indicator, and for the last two years, the entry rate has averaged at or above 60 percent. Recently, however, VETS has communicated clearly to all HVRP grantees that retention in employment is the most significant outcome indicator. We intend to continue this emphasis on retention for the foreseeable future, since stabilizing the earning capacity is a prerequisite to stabilizing the living situation of homeless veterans.

Results, Analysis and Future Plans
Performance Goal 1.1F (VETS) was achieved. The target rate of 54.5 percent entry to employment was exceeded, as 61 percent of veterans enrolled in Homeless Veterans' Reintegration Program grants entered employment. In PY 2003, 13,094 homeless veterans enrolled as HVRP participants and 8,027 of these participants entered employment.

The high rate of success achieved by HVRP grantees in serving this subset of the veteran population, which typically is characterized as having multiple barriers to employment, is attributable, in part, to the program design established by VETS. That design calls for a network of community-based organizations, including faith-based grantees, which focus their limited fiscal resources on the delivery of customized employment services. These grantees are to achieve integration of the required services by closely coordinating their efforts with other local providers in order to provide participants with a full range of specialized services.

HVRP grants are awarded on a competitive basis and are limited to a three-year performance period. Award of annual funding increments for the second and third (option) years within the three-year cycle is based upon satisfactory achievement of the performance goals set forth in the grant application. The combination of limited grant duration and ongoing competitive awards lead to greater effectiveness.

For PY 2004, we will measure retention in employment, with a target of 55 percent of HVRP participants maintaining employment six months following entry to employment. To maintain the entry to employment rate accomplishments while improving employment retention rates, VETS will continue to provide guidance to the HVRP grantee network, sharing best practice experiences.

Management Issues
The HVRP grantee network consists predominantly of locally-based organizations, widely dispersed across the nation, with limited management resources. The network of VETS staff members who serve as Grant Officer's Technical Representatives (GOTRs) mirrors this pattern. The HVRP GOTRs typically are stationed at State

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[11] This goal appeared in the DOL FY 2003 Annual Performance Plan as a fiscal year goal. Later, it was converted to a Program Year 2003 goal to fund and measure HVRP grantee performance on a schedule consistent with other DOL employment and training programs. Accordingly, results presented are for the period July 1, 2003 to June 30, 2004.

Capitals and major cities across the nation. VETS recently sponsored a conference attended by staff members from all HVRP grantees, and by VETS staff members serving as GOTRs. It was the consensus that improved integration of the technical, contractual, and financial aspects of the management of HVRP grants is a clear need.

The distribution of management responsibility for this program is consistent with the need expressed by grantee staff and GOTRs. VETS plays a lead role regarding the Special Provisions; the DOL procurement unit plays a lead role regarding the General Provisions; and the Department of Health and Human Services (HHS) plays a lead role regarding financial operations (because of the program's reliance upon the Payment Management System administered by HHS. To improve the integration of the requirements and procedures in this shared management arrangement, VETS intends to apply contractor support during FY 2005 to prepare two management manuals. One version of the manual will be oriented to grantee staff and the other version will be oriented to VETS staff serving as GOTRs. In addition to improving integration, it is hoped that this initiative also will promote improved consistency in program operations and closer headquarters-field coordination.

Assist Dislocated Workers

Performance Goal 1.1F[12] (ETA) – PY 2003

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

Indicators

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

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

Those who are employed in the first quarter after program exit and are still employed in the third quarter after program exit will have 93 percent of their pre-dislocation earnings.

Program Perspective

The Dislocated Worker program aims to quickly reemploy laid off workers and preferably to enhance their employability and earnings by increasing occupational skills. The Department allocates 80 percent of the funds by formula to the States. The Secretary may use the remaining 20 percent for discretionary activities specified in the Workforce Investment Act (WIA), including assistance to localities that suffer plant closings, mass layoffs or job losses due to natural disasters. State dislocated worker funds support One-Stop Career Center Services (as described under Performance Goal 1.1A) and "Rapid Response" assistance to plan services for employers and workers who are expecting mass layoffs.

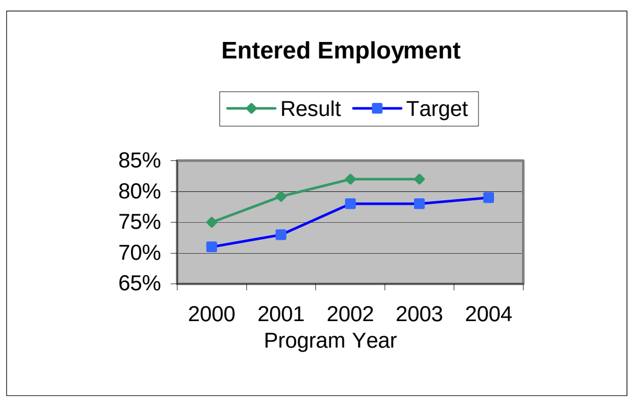
Three key indicators are used to assess the program's success. The entered employment rate indicates how quickly participants' incomes (hence family security) are restored and whether they maintain continuous attachment to the labor force with minimal disruption. Retention rate and earnings replacement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

Labor market conditions have a major influence on the Dislocated Worker program outcomes. During the last few years beginning with the recession of 2001, improving performance has proven more difficult than in times of economic boom. Despite external economic forces, DOL has consistently looked for ways to increase targets while improving program management.

Results, Analysis and Future Plans

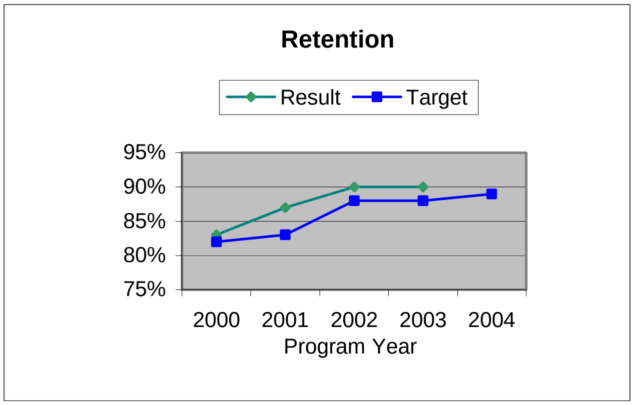
Performance Goal 1.1F (ETA) was not achieved. Of those registered under the WIA Dislocated Worker program:

- 82 percent of individuals registered who were not employed at registration were employed in the first quarter after program exit.
- 90 percent of those employed in the first quarter after program exit were employed in the second and in the third quarters after program exit.
- Of those participants employed in the first quarter after program exit, average earnings in the third quarter after program exit were 91 percent of pre-dislocation earnings.



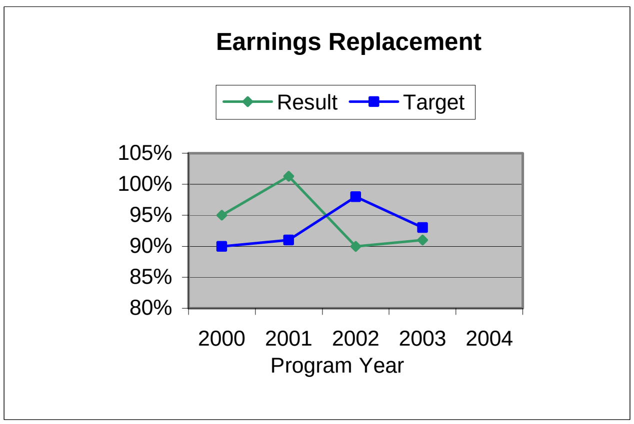
Although the indicators for entered employment rate and retention rate exceeded performance targets by four and

[12] This goal appeared in the Department's FY 2003 Annual Performance Plan as Performance Goal 2.3A. It has been renamed to be consistent with the FY 2004 plan, which moved this program to Outcome Goal 1.1.



two percentage points, respectively, the earnings replacement rate was two percentage points below the target.

Even with successes in employment and retention, the continuing decrease in post-dislocation earnings measure may reflect the broader economic conditions. First, employers have a more qualified worker pool from which to select, as there has been an increase in the number of Americans obtaining high school diplomas and bachelor's degrees over the past year. Second, there was an increase in the supply of labor relative to the demand, putting downward pressure on wages. Third, displaced workers who experience lengthy periods of unemployment typically become increasingly willing to take jobs paying less than their previous jobs. In sum, while employment and retention rates remain fairly steady as dislocated workers more readily accept lower-paying jobs and stay with them until periods of growth, their post-dislocation earnings have continued to decline.



During Program Year 2003, DOL held six regional forums focused on providing an integrated service system for dislocated workers. This is part of the Department's effort to improve the alignment of federal and state processes and response times, and to maximize funding allocations to reach more customers and enhance program results.

To continuously improve the outcomes of dislocated workers, the Department is producing new tools, creating incentives, and simplifying the coordinating process. Key strategies include: 1) Strengthening business relationships to assure demand-driven services and to better identify and fill jobs in growth occupations; 2) Assuring universal access to the workforce investment system with emphasis on targeted outreach; and 3) Using non-WIA resources wherever possible, thereby leveraging WIA resources committed to core functions necessary to prepare the workforce.

With implementation of the common measures for employment and training programs and with reauthorized WIA, the workforce investment system can better integrate the Adult and Dislocated Worker formula programs and the labor exchange functions under the Wagner-Peyser Act. Combined with enhanced use of technology that will inform adult customers about the labor market, job opportunities, and services, this integrated workforce system will increase efficiencies and performance.

The importance of advancing occupational skills in an ever changing economy is something that Fritz, a former dislocated worker, can attest to. After graduating with a bachelor's degree in Computer Information Systems, Fritz thought his career was set in stone until the local economy took a downturn and he became an out-of-work Information Technology (IT) professional. Not to be deterred, he visited his local One Stop Career Center at Richard J. Daley College in Chicago, Illinois and enrolled into the new a 10-week Advanced Manufacturing/Integrated Systems Technology (AM/IST). Adding to his technology skill base, Fritz hit the ground running as he was quickly hired as a Mechanical Technician at Corn Products International, Inc., one of the world's largest corn refiners. Making a higher wage than he originally earned as an IT professional, Fritz concluded that "there are a lot of opportunities out there for someone with Integrated Systems Technology skills. This is a new type of training and not many people know about it, but the skills learned during the training are definitely in high demand." As a lesson learned, Fritz's has decided to take advantage of his company's tuition reimbursement program as he continues to exemplify the goal of being equipped with the skills of the 21st century workplace!
Photo credit: Jim Wenzelman

Management Issues
In response to recent concerns raised by the Office of Inspector General regarding whether data reported by States for WIA performance were accurate and supportable, DOL developed a validation methodology, and provided handbooks, user guides, and software for all State workforce agencies. States were required to validate their PY 2003 WIA performance data reports using this methodology.

One lesson from the first four years of WIA is that separate funding streams for services can have a negative impact on program performance because of duplication of services and redundant administrative cost. The Department proposes to address this barrier by consolidating these funding streams when WIA is reauthorized.

The Government Accountability Office (GAO) released a report on WIA in June 2004: *States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help* (Study 9 in Appendix 2). The report examined data availability and timeliness issues. ETA also contracted with an independent research team to conduct an evaluation of the Workforce Investment Act of 1998. The study, *The Workforce Investment Act in Eight States: State Case Studies from a Field Network Evaluation* (Study 21 in Appendix 2), examined national goals and the roles of Federal, State, and local partners in implementing the law in eight states. Another independent study, *Creating Partnerships for Workforce Investment: How Services are Provided Under WIA* (Study 20 in Appendix 2), presents findings from case studies of sixteen local boards across eight states that may help other local boards in developing local systems.

Help Trade-Affected Workers Find New Jobs

Performance Goal 1.1G (ETA) – FY 2004

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

Indicators
70% of individuals registered who are not employed at registration will be employed in the first quarter after program exit;

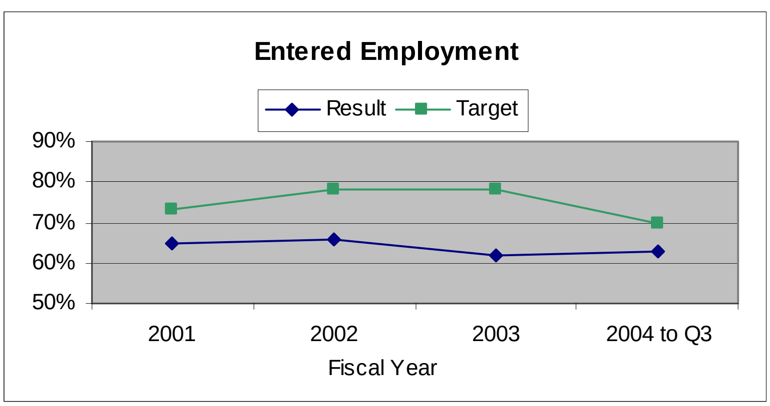
88% of those employed in the first quarter after program exit will be employed in the second and third quarters after program exit; and

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

Program Perspective
DOL's Trade Adjustment Assistance (TAA) program provides reemployment services to workers who lose their jobs due to increased imports or due to shifts of production to foreign countries. TAA's goal is to return workers to suitable employment as quickly as possible. The readjustment services and benefits offered by the program include occupational, on-the-job and remedial training, job search and relocation assistance, and income support for eligible workers in training. TAA's success is measured by the extent to which it serves the individuals to achieve economic self-sufficiency by quickly securing and maintaining employment with wages that are close to those earned prior to lay-off. As such, employment, employment retention, and earnings replacement are appropriate indicators. Targets were selected by first assessing prior experience, and then projecting reasonable performance under anticipated labor market conditions. In this way, allowance is made for the effect of economic forces external to the program.

Results, Analysis and Future Plans
Data for the first three quarters of FY 2004 (ending June 30, 2004) indicate that two of the three indicators were not reached.[13] Thus, the goal was not achieved:

- 63 percent employed in the first quarter after exit;
- 89 percent of those still employed in the third quarter after exit; and
- 72 percent wage replacement for the third quarter after exit.



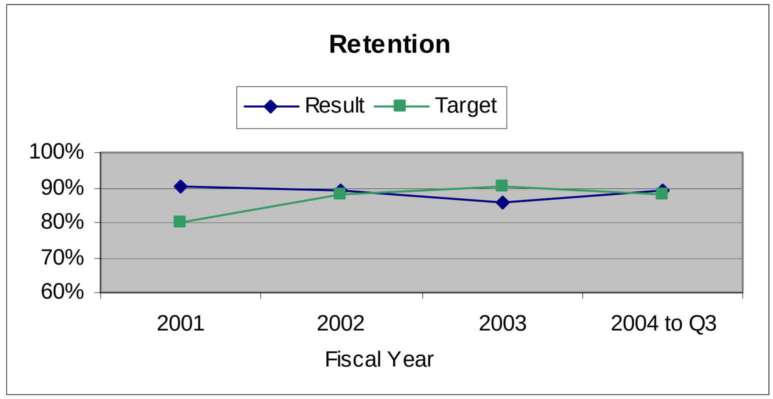
Performance for the above measures is for individuals served under the trade program prior to the Trade Act of 2002 amendments. Performance outcomes for individuals served under the Trade Act of 2002 will not begin to be reported until the fourth quarter of 2004. Reported outcomes will not substantially reflect individuals served under these amendments until FY 2006.

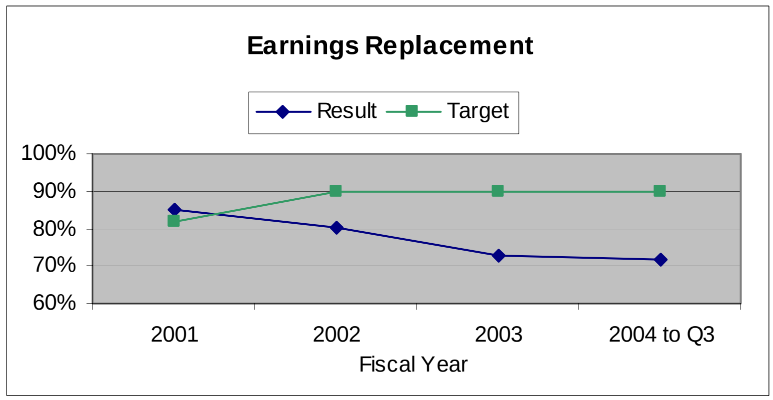
The Department is concerned that the 63 percent reported as employed in the first quarter after exit may not reflect actual outcomes for three reasons:

- States may not be fully utilizing the Wage Record Interchange System (WRIS), which is used to capture employment information across state borders;

[13] Performance results for this goal are estimated. The estimating methodology has been reviewed by the Department of Labor's Office of Inspector General. The actual performance results for this goal will be published in the FY 2006 Budget.

- States may be capturing entered employment data for the first quarter after individuals complete training but before they finish receiving reemployment services under the Workforce Investment Act (WIA), and therefore, have not yet entered employment;
- States are not required to use supplemental data to capture individuals who have entered employment but do not show up in the wage records. Preliminary results in one state from a related program indicate that the use of supplemental data resulted in an increase in the entered employment level by 18 percentage points. The state intends to replicate the supplemental data process with trade participants.





The Department is issuing a directive to States that will provide guidance on these issues and has begun preliminary discussions with the National Dislocated Worker workgroup on methods to follow up with individuals who are not reported as entering employment.

The continuing decreased post-dislocation earnings measure may reflect broader economic conditions. First, employers have a larger qualified worker pool from which to select, as there has been an increase in the number of Americans obtaining high school diplomas and bachelor's degrees over the past year. Second, there was an increase in the supply of labor relative to the demand, putting downward pressure on wages. Third, displaced workers who experience lengthy periods of unemployment typically become increasingly willing to settle for jobs paying less than their previous jobs. In sum, while employment and retention rates remain fairly steady, dislocated workers have been more ready to accept lower-paying jobs and stay with them until their prospects improve; this has contributed to the decline in the wage replacement performance measure.

During Program Year 2003, DOL held six regional forums focused on providing an integrated service system for trade workers. This is part of the Department's effort to improve the alignment of Federal and State processes and response times, and to maximize funding allocations to reach more customers and enhance program results. Currently, DOL is reengineering the process of integrating three programs- National Emergency Grant (NEG), Trade, and Dislocated Worker- to ensure more effective and efficient operations and higher performance outcomes.

John had worked at the Segri Great Lakes Carbon plant in Charlotte, North Carolina until he was laid off on November 16, 2001. His job as steel furnace electrodes inspector, which earned John $15.03 per hour, was nonexistent anywhere else in the area. "On the day I was laid off, one door shut and another one opened. The one that was opened was our petition for Trade Act opportunity." With help from the Trade Act program, John began training in Medical Lab Technology in May 2002. He was always prompt with his appointments and worked hard to keep his grades up. He got a job on May 4, 2004 at Broughton Hospital as a Medical Lab Technician, earning $16.75 per hour. On May 12, John graduated from a local community college with a degree in Medical Lab Technology.
Photo credit: John Lundlam

Management Issues

The Government Accountability Office (GAO) released a report on TAA in September 2004: *Reforms Have Accelerated Training Enrollment, but Implementation Challenges Remain* (Study 11 in Appendix 2). The GAO raised two concerns: first, that the deadlines for enrollment in training may not leave enough time to assess a TAA worker's needs, especially if there is a large layoff or higher demand for TAA training; and second, the wage insurance provision that requires the program to serve workers who lack easily transferable skills yet expects them to find employment within 26 weeks of layoff. ETA shares GAO's concerns and intends to work closely with states in the coming months to assess the need for legislative remedies.

The Department continues to improve the accuracy, timeliness, and reliability of TAA data. In an effort to obtain more current data about the effect of the program on trade affected workers, DOL has initiated a five-year study designed to fully evaluate the implementation of the new provisions of the Trade Reform Act of 2002, as well as the overall effectiveness of the Trade program using the independent services of Social Policy Research. ETA will also consider whether concerns in the GAO report can be examined in this TAA evaluation study. A final study report is expected to be available in FY 2010. DOL will use recommendations of this five-year study to improve future performance and to assess success in implementing the provisions of the Trade Reform Act. The results of this study will also inform the TAA reauthorization process.

In response to recommendations from the Program Assessment Rating Tool (PART) review conducted for the FY 2004 budget and updated for the FY 2005 budget, the TAA program will include performance expectations in the agreements between the Secretary of Labor and the States' Governors to encourage better results. Additionally, TAA will adopt the common measures for Federal employment and job training programs, with implementation complete by late FY 2005 or early FY 2006. Use of common measures will align Trade Act program measures with those for the WIA Dislocated Worker program and promote the goals of co-enrollment and coordination between the two programs.

Outcome Goal 1.2 – Increase the Number of Youth Making A Successful Transition to Work

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

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

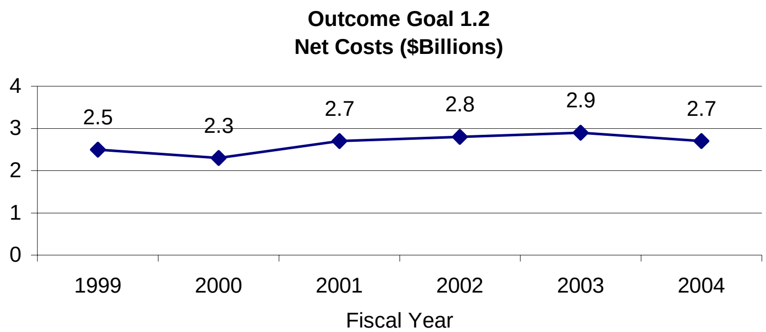
Three performance goals measure DOL's progress in helping youth prepare for entry to the workforce. All three are administered by the Employment and Training Administration (ETA) under the Workforce Investment Act of 1998 (WIA). Funding and reporting are on a Program Year basis, e.g., PY 2003 is July 2003-June 2004.

Performance Summary		Diploma attainment*	Entry to employment	Employment retention	Average hourly wage**	Retention at 6 months
WIA Youth (1.2A) – PY 2003 Increase entrance and retention of youth registered under the WIA youth program in education or employment. **[Achieved]**	Result	63%	71%	81%	NA	NA
	Target	52%	65%	78%	NA	NA
	PY 2002	55%	67%	80%	NA	NA
Job Corps (1.2B) – PY 2003 Increase participation, retention, and earnings of Job Corps graduates in employment and education. **[Not Achieved]**	Result	8003	NA	NA	$8.95	63%
	Target	7658	NA	NA	$8.20	65%
	PY 2002	6381	NA	NA	$8.03	63%
Youth Opportunity Grants (1.2C)[14] Increase retention of Youth Opportunity Grant participants in education or employment. **[Not Achieved]**	Result	51%	60%	73%	NA	NA
	Target	52%	65%	78%	NA	NA
	PY 2002	46%	50%	78%	NA	NA

*For Job Corps, # students
**In PY 2002, earnings were measured at placement; in PY 2003, they were measured six months later.

[14] Due to limited access to State Unemployment Insurance (UI) wage records, data for the older youth entered employment rate and older youth employment retention rate could only be obtained from approximately half of the Youth Opportunity Grantees. The diploma attainment rate, however, includes data from all grantees.

Net Cost of Programs
FY 2004 program costs of $2.7 billion supported ETA programs providing employment and training assistance to youth through formula grants to States, and Job Corps. After three years of costs that trended upward, FY 2004 saw a $254 million (approximately 10 percent) decline from FY 2003. Decreased costs in this area resulted largely from the phase-out of the Youth Opportunity Grant Program (FY 2002: $225 million v. FY 2004: $0) and reduced funding for WIA Youth Activities (FY 2002: $1.13 billion v. FY 2004: $995 million).



Results Summary
One of the three goals was achieved. As indicated in the table, WIA Youth program participants enjoyed healthy increases in all three indicators – diploma attainment for younger youth, entry to employment, and retention for older youth. Job Corps reached its targets for diplomas and average hourly wages while falling short of its retention target. In its final year, the Youth Opportunity Grant demonstration project failed to reach any of its three targets; diploma attainment and entry to employment saw healthy gains over PY 2002 despite failing to reach targets but employment retention declined significantly.

Overall, actual PY 2003 performance was better than the goal achievement count alone would indicate. Results in seven of the nine indicators increased – most of them substantially. The WIA Youth program's success in raising all three indicator levels is attributed to extensive technical assistance targeting local performance management issues. Job Corps' diploma attainment rate increase resulted in part from a renewed focus on academic achievement and aggressive new strategies. Hourly wage performance may have been aided by a change in the basis for calculation of wages from initial placement to six months after placement. Youth Opportunity Grant performance was improved by numerous technical assistance strategies that focused on improving long-term employment and education placements.

Phyllis is a Clinical Instructor and Director of the School Nurse Program at the University of Illinois at Chicago (UIC) College of Nursing who volunteered her time and expertise to educate high school students on public health care concepts. She spoke at a Women's Bureau Group E-Mentoring in Nursing (GEM-Nursing) event promoting nursing careers. Co-sponsored by the UIC College of Nursing, this event is part of a larger web-based project connecting young adults with mentors who are professionals in the nursing field. Phyllis' lesson on the "Web of Causation," aided by her web model (pictured), outlined the complex relationships among environmental, economic, and social causes contributing to public health. Her high school students developed a greater appreciation for how nurses contribute to the health of the community. The GEM-Nursing project includes over 500 registered students and over 150 mentors from 16 different fields.
Photo credit: UIC Photographer Mark Mershon

Future Challenges

The delay of reauthorization of the Workforce Investment Act poses management challenges for the WIA Youth program. The Department of Labor's proposed legislation places emphasis on serving out-of-school youth, and DOL has begun developing strategies to do so. However, the law currently requires grantees to spend only 30 percent of funds on out-of-school youth. Because this group is more difficult and expensive to serve, few elect to allocate more than the statutory minimum – especially given greater pressure to meet employment, retention, earnings and efficiency targets.

The Government Accountability Office (GAO) conducted a study entitled *Labor Actions Can Help States Improve Quality of Performance Outcome Data and Delivery of Youth Services* (Study 10 in Appendix 2). The report recommended that DOL and the US Department of Education coordinate efforts to connect school drop-outs to local WIA youth programs and to establish standard monitoring procedures to improve the quality of data reported by states. DOL is implementing these recommendations.

The Program Assessment Rating Tool (PART) review of the WIA Youth program, conducted for the FY 2004 budget, recommended an impact evaluation of the WIA Youth program. ETA will commission such a study upon reauthorization, as knowledge of the program's new direction will be critical to the design of any meaningful study. DOL is conducting an impact evaluation of the Youth Opportunity Grant program that is scheduled for completion in 2005.

Assist Youth in Making a Successful Transition to Work

Performance Goal 1.2A (ETA) – PY 2003

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

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

65 percent of the 19-21 year-old youth will be employed in the first quarter after program exit; and

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

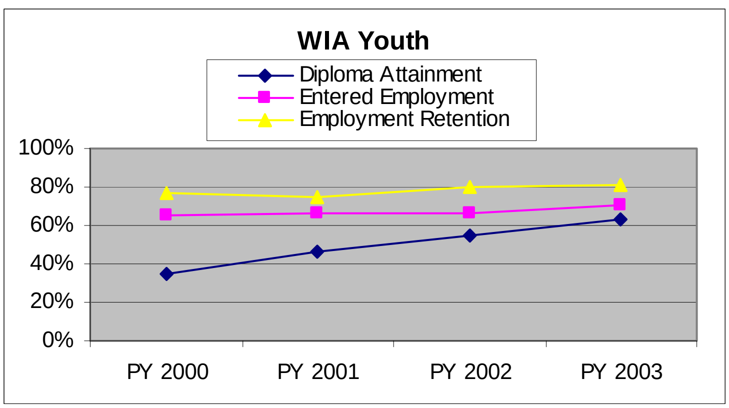
Program Perspective
The Workforce Investment Act authorizes services to low-income youth (age 14-21) who have barriers to employment. Eligible youth are deficient in basic skills or are homeless, are a runaway, are pregnant or parenting, are offenders, school drop-outs, or foster children. The program also serves youth with disabilities and other youth who may require additional assistance to complete an educational program or to secure and hold employment. Programs and services are offered to both in and out-of-school youth. Service providers prepare youth for post-secondary education by stressing strong linkages between academic and occupational learning, and preparing youth for employment. Local communities create opportunities for youth by providing required program elements, including tutoring, alternative schools, summer employment, occupational training, work experience, supportive services, leadership development, mentoring, counseling, and follow-up services.

The three performance indicators were selected from seven WIA youth measures as most appropriate for both in-school and out-of-school youth. For the older youth population, entrance into and retention in employment are the most appropriate indicators of success because services are focused on preparation for and success in the workforce. For the younger youth population, where services are geared toward academic achievement as a means of career preparation, achievement of a diploma or its equivalent is the most meaningful indicator of future success in the workforce. External factors outside of the workforce system, such as secondary school quality and the advent of state standards of learning, have the potential to impact the diploma attainment rate. However, a two year trend shows that the program is making steady progress against its indicators. Strategies and partnerships are continually reviewed to ensure the best service delivery is provided.

Results, Analysis and Future Plans
The goal was achieved.

- 63 percent of the 14-18 year-old youth who entered the program without a diploma or equivalent attained a secondary school diploma or equivalent by the first quarter after exit.
- 71 percent of the 19-21 year-old youth were employed in the first quarter after program exit.
- 81 percent of the 19-21 year-old youth employed in the first quarter after exit were employed in the third quarter after program exit.

These results for Program Year 2003 (ending June 30, 2004) continue an upward trend that began with WIA implementation in 1998, and are significant. Most important is the continued increase in high school diploma attainment, given the strong statistical correlation between educational attainment and success in the labor market.



During PY 2003, DOL provided extensive technical assistance to those states struggling to meet performance goals. This strategy has resulted in improved performance and has yielded valuable information on the specific challenges with which local areas continue to struggle. One example of technical assistance is the Performance Enhancement Project (PEP), which offers a mechanism to identify and address local performance management issues. DOL has also continued to emphasize performance and accountability, including extensive work developing the Common Performance Measures and collaboration with the US Department of Education and with State and local practitioners in developing guidance for their implementation. DOL continues its program of conducting on-site assessments of State and local workforce investment areas to determine the effectiveness of local youth programs and to help regional offices develop strategies to improve program outcomes.

DOL will continue its performance improvement efforts by working with its partners to increase emphasis on alternative education, business demands (especially in high-growth industries and occupations), and at-risk youth, including those in foster care, those attached to the juvenile justice system, and migrant youth.

Robert embodies all the qualities that make an individual an achiever. At birth, he was diagnosed with Cerebral Palsy, which hindered his educational progress and his social and psychological development. When he was referred to the WIA-funded Goodwill Workforce Development Center in Virginia as a high school senior, he felt he had a new chance at a life of independence. He credits Goodwill Industries of the Valleys, part of a world-wide network of 207 community-based organizations, for providing him with the skills to become a disc jockey (DJ). Working with Goodwill's staff, a local radio station made accommodations to enable Robert to participate in a work experience. Benefiting from a tutor and job coach assigned by Goodwill, Robert learned the skills needed in his chosen career and improved his math and reading. Working as a DJ, Robert became a celebrity and the station gave him his own Saturday program. Robert was selected by Goodwill Industries as the 2003 "Achiever of the Year" and credits the assistance he received for the direction his life has taken. Robert wrote: "In addition to furnishing me with financial support, Goodwill's Workforce Development was very timely in providing me with guidance and advice on coping with the everyday workforce." Robert now attends the American Broadcasting School in Oklahoma City and will return home to pursue his disc jockey career.
Photo credit: Robert Martin

Management Issues
The reliability of administrative data for non-employment measures, such as diploma attainment, has been questioned in the past by the Office of Inspector General (OIG). In response, DOL implemented a data validation initiative during PY 2002. Data quality and reliability has improved as a result of this initiative. States will continue to conduct both report validation and data element validation for the current year's data, thereby ensuring the completeness and reliability of performance data.

The delay of reauthorization of the Workforce Investment Act poses management challenges for the WIA Youth program. The Department of Labor's proposed legislation places emphasis on serving out-of-school youth, and DOL has begun developing strategies to do so. However, because the law currently requires spending just 30 percent of funds on these traditionally expensive to serve out-of-school youth, it will be difficult to implement the new strategies absent reauthorization.

The Government Accountability Office (GAO) conducted a study entitled *Labor Actions Can Help States Improve Quality of Performance Outcome Data and Delivery of Youth Services* (Study 10 in Appendix 2). The report recommended that DOL and the US Department of Education coordinate efforts to connect school drop-outs to local WIA Youth programs and to establish standard monitoring procedures to improve the quality of data reported by states. DOL is implementing these recommendations.

The Program Assessment Rating Tool (PART) review of the WIA Youth program, conducted for the FY 2004 budget, recommended adoption of common performance measures for Federal job training programs and recommended an impact evaluation of the WIA Youth program. In response, ETA has adopted the four youth common measures in subsequent Performance Budgets and issued guidance to grantees to manage to these goals and measures. States will begin reporting on common measures in November 2005. The impact evaluation will be commissioned upon reauthorization, as knowledge of the program's new direction will be critical to the design of any meaningful study.

Increase Placements and Educational Attainments of Youth

Performance Goal 1.2B (ETA) – PY 2003

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

Indicators
The number of students who attain high school diplomas while enrolled in Job Corps will increase by 20% from Program Year 2002;

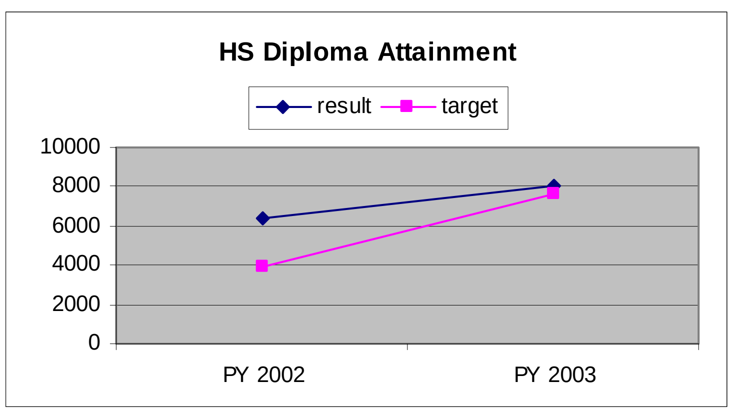
65% of graduates will continue to be employed or enrolled in education six months after their initial placement date; and

Graduates with jobs at six months after initial placement will earn average hourly wages of $8.20.

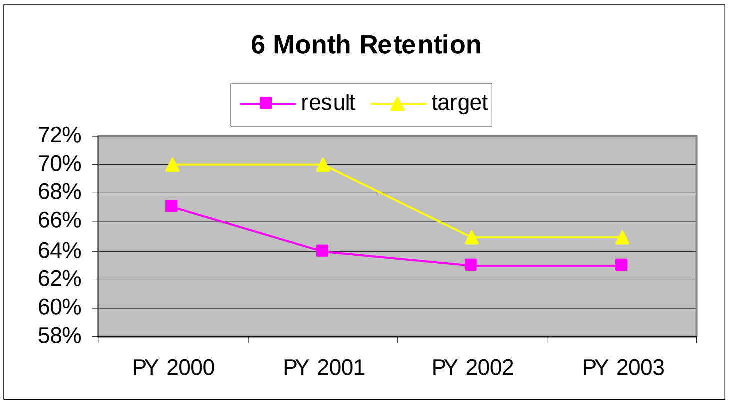
Program Perspective
Job Corps is an intensive educational and vocational training program (primarily residential) for economically disadvantaged youth ages 16 through 24 who often face multiple barriers to gainful employment. This program provides occupational skills, academic training, social education,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

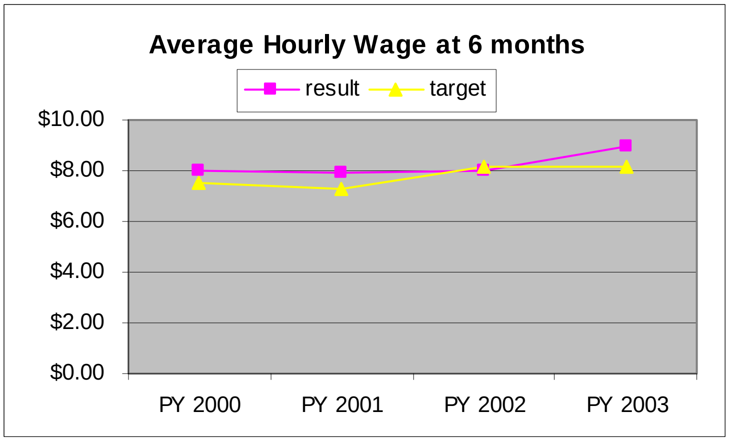
Job Corps centers provide services tailored to each student's needs to help them achieve the skills and credentials required to be successful, productive citizens and to obtain work opportunities that lead to long term employment. DOL uses three performance indicators for this program: earning a diploma or its equivalent is the most meaningful indicator of preparedness, while entry to employment and employment retention are appropriate indicators of success in the workforce. Targets are selected by assessing prior experience, and then projecting reasonable performance under anticipated labor market conditions.

Results, Analysis and Future Plans
The goal was not achieved. Two of three indicator targets were reached. In PY 2003, participants earned 8003 high school diplomas vs. a target of 7,658 – a 25 percent increase over PY 2002. The target average hourly wage rate of $8.20 at six months after employment was reached, with an actual rate of $8.95. The six-month retention rate was 63 percent, nearly reaching the 65 percent target. From PY 2001-2003, the retention rate remained level. However, the average hourly wage at six months and diploma attainment rate increased during that period.



Job Corps' high school diploma attainment rate increased by 25 percent in PY 2003. This outcome is attributed to a renewed focus on academic achievement and new strategies designed to facilitate students' successful completion of diploma requirements. In PY 2003, while the average hourly wage goal of $8.20 per hour for Job Corps remained the same as PY 2002, the basis for calculation of wages changed from initial placement to six months later. As in past years, the average hourly wage for Job Corps graduates continues to increase. Average hourly wages at six months for Job Corps graduates were solid, given economic conditions. Moreover, 63 percent were still employed or enrolled in advanced education programs six months later.





Job Corps' success in meeting its diploma target is due in large part to numerous partnerships with other youth and adult serving programs: the Department of Education's High School initiative, the former School-to-Work initiative, AmeriCorps, Head Start, Youth Challenge, Youth Build, America's Promise, the Center for Workforce Preparation, and the military. A significant number of the Job Corps centers have also entered into partnerships with local school districts to enable students to earn diplomas. To assist career transition, Job Corps centers are represented on local workforce investment boards and youth councils.

Regional assessments and annual contract reviews of center operators and career transition service contractors include *compliance* measures for operations and *performance* measures related to student outcomes. Performance based contracting for center operators and career transition service contractors links performance on specific measures of student success to center operators' and contractors' revenues. Implementation of such provisions, for example incentive fees for contractors, has led to improved student outcomes. In addition to improving student outcomes, Job Corps continues to focus on customer needs by maintaining safe and healthy environments at all Job Corps centers by working with other DOL agencies to conduct safety and health inspections.

Evelyn saw a better future unfold after catching a television ad for Job Corps. Evelyn grew up in a very poor area of Milwaukee, Wisconsin. Faced with limited employment opportunities because she dropped out of high school in the 11th grade to help support her family, she knew that education would free her from poverty. In July 2001, at age 18, she enrolled at the Hubert H. Humphrey Job Corps Center in St. Paul, MN. Evelyn completed the Business Technologies and Health Occupations career training programs and obtained her GED. Soon afterward, she got a job as Student Intake Coordinator at Alternative Learning Center High School. Evelyn is a full-time student and through a partnership with the Humphrey Job Corps Center has entered the Advanced Career Training program in Child Development at St. Paul Technical College. She will graduate in December 2004. She also works part-time at the University of Minnesota College of Agriculture, Food and Environmental Sciences where she received an outstanding employee award. Evelyn plans to attend Metropolitan State University to pursue a Bachelor's Degree in social work or child psychology.

Photo credit: Katherine Limon, Renee Peek, Melanie Leary

Management Issues

Job Corps uses comprehensive data to measure program performance results. To maintain data integrity, independent data analysts scrutinize performance details. Job Corps also utilizes feedback from annual independent audits of system security and business policies and procedures to improve oversight and management of its performance data systems.

Increase Opportunities for Severely Disadvantaged Youth

Performance Goal 1.2C (ETA) – PY 2003

Increase retention of Youth Opportunity Grant participants in education or employment.

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

65 percent of the 19-21 year-old youth will be employed in the first quarter after program exit; and

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

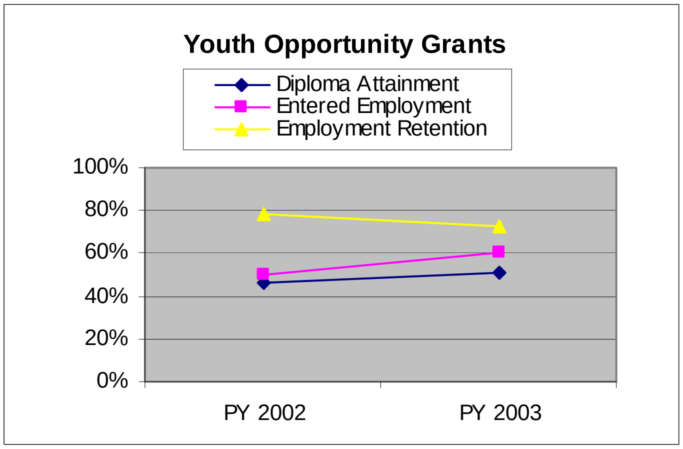
Program Perspective
Youth Opportunity Grants (YOGs), a demonstration program which began operation in 2000 and ends with Program Year 2004, has aimed to increase the long-term employment of youth who live in Empowerment Zones, Native American reservations, Enterprise Communities, and other high-poverty areas. Although the focus has been to increase youth employment, especially for out-of-school youth, YOGs also aimed to reduce dropout rates and teen pregnancy, increase enrollment in post-secondary education, decrease crime, and improve existing systems in poor communities for serving at-risk youth.

For the older youth population, services have focused on preparation for and success in the workforce. For the younger youth population, services were geared toward academic achievement as a means of career preparation. Factors such as secondary school quality and the advent of state standards of learning can impact the diploma attainment rate. Many enrollees are high school drop-outs with limited prospects for attaining a high school diploma or long term employment. Another challenge was the program design; YOG was an open enrollment program that accepted any youth willing to enroll. This helped target youth most in need of services, which may have affected completion rates, though results did show improvement from last year.

Results, Analysis and Future Plans
Performance Goal 1.2C (ETA) was not achieved.
- 51 percent of the 14-18 year-old youth who entered the program without a diploma or equivalent attained a secondary school diploma or equivalent by the first quarter after exit;
- 60 percent of the 19-21 year-old youth were employed in the first quarter after program exit; and
- 73 percent of the 19-21 year-old youth employed in the first quarter after exit were employed in the third quarter after program exit.

Data from State Unemployment Insurance (UI) wage records for the older youth entered employment rate and older youth employment retention rate could only be obtained from approximately half of the Youth Opportunity Grantees. The diploma attainment rate, however, includes data from all grantees.

Although the diploma attainment rate and entered employment rate improved markedly from the prior year, all three performance indicators fell short of their targets. Performance targets were set using baseline data from the WIA Youth formula-funded program and goals were identical to that program despite this program's focus on the harder to serve out-of-school youth population. YOGs were able to significantly improve results in diploma attainment and entered employment from the prior year. The diploma attainment improvement is significant given that academic advancement is strongly linked to improved employment opportunities and outcomes, both key long term goals of DOL youth programs. The improvement in placing out of school youth in jobs is also a significant achievement in that youth tend to be harder to employ as the economy begins to recover. Although the employment retention rate decreased from the prior year, performance was slightly below target.



During Program year 2003, DOL focused efforts on a number of technical assistance strategies. DOL conducted training sessions on literacy, job development, and homeless and runaway youth. DOL-sponsored Youth Development Practitioner's Institute trained hundreds of front-line YOG staff in areas such as bi-level case management and data management. DOL also convened a strategic planning session and several director meetings that focused on improving areas of performance, especially long-term employment and education placements. Such efforts – coupled with on-site support, regional calls, and other technical assistance – have served to both inform and focus providers on developing effective alternative education and literacy teaching strategies and programs.
Through DOL's assistance, YOG-funded programs focused on key progress measures including youth participation, successful completion of goals, and placements in employment and post-secondary education.

Seaman Felisicia, a member of the Albany Youth Opportunity Center, recently graduated with honors from basic training at the Naval Training Center in Great Lakes, Illinois. She used her exceptional physical fitness to distinguish herself from the other recruits during the nine weeks of strenuous basic naval training. Her athletic performance, which earned her selection as an honor graduate, also earned her the treasured assignment to the Naval Base in Sasebo, Japan, where she will serve a three-year tour as a fireman. Before she graduated from Westover High School in 2003, Felisicia served as a member of the marching band, toured with the chorus and served as a state delegate for the 4-H program. While she was in the Youth Opportunity program, Felisicia participated actively at Boys and Girls Club, Inc., where she received the Outstanding Achievement award. She also was an active member at Unity Church of Albany's youth program. Furthermore, she worked with the Albany Police Department as a part of the Communities in School Summer Youth Job Program and volunteered in several other community service projects. Her earlier experiences serving her community continue to motivate her to serve the nation.
Photo credit: Felisicia Flood

Management Issues

Approximately half of the grantees were unable to report on the older youth employment indicators due to limited access to State Unemployment Insurance (UI) wage records, the data source necessary to calculate the measures. Delinquent grantees continue to work with their respective States and ETA anticipates late receipt of some data. ETA is confident the data that has been submitted is reliable and accurate. Though this is the last year of YOGs, ETA is addressing this issue for future discretionary grant programs by ensuring better access to data. Fortunately, these problems have been limited to the employment indicators; additional measures, such as participation and completion rates, have been timely and invaluable for management purposes. DOL is currently conducting an impact evaluation of the YOG program, and will complete it in 2005.

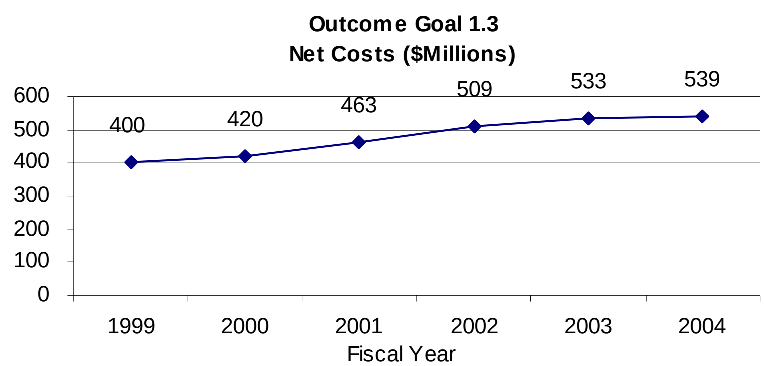
Outcome Goal 1.3 – Improve the Effectiveness of Information and Analysis On The U.S. Economy

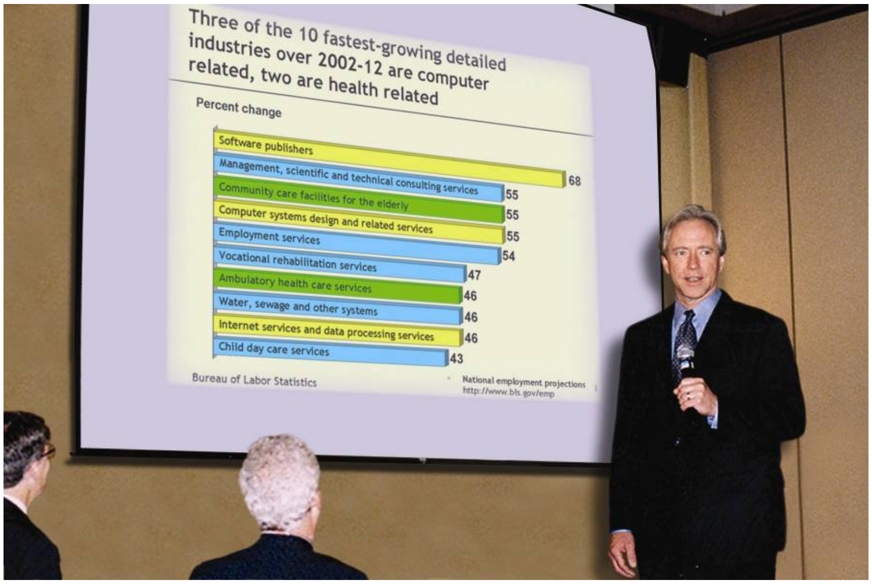
America's changing 21st Century workforce needs to know what employment opportunities are emerging to make better informed decisions for their future. This critical information, as well as other information pertaining to the broad field of labor economics and statistics, is available from the Department of Labor's Bureau of Labor Statistics (BLS). BLS provides private citizens, business owners, and public officials with timely and accurate information that assists in making decisions on careers, staffing, and public policy. For example, in FY 2004, BLS released projections to 2012 on future job growth by industry and occupation and on the likely composition of the workforce pursuing those jobs. BLS produces some of the Nation's most sensitive and important economic indicators to serve the needs of the 21st Century workforce.

Goal Number (Agency) – Period Goal Statement [Achievement]	Performance Summary
1.3A (BLS) – FY 2004 Improve information available to decision-makers on labor market conditions, and price and productivity changes. **[Not Achieved]**	BLS reached targets for customer satisfaction measurement, PPI and productivity coverage increases, ECI response rate, and the conversion of four data series to NAICS. Due to the delayed conversion of the PPI to NAICS, BLS missed several targets for PPI data release dates and for a PPI system modernization project. BLS also missed several ambitious survey response rate targets.

Net Cost of Programs

FY 2004 program costs of $539 million support BLS programs to produce and disseminate timely, accurate, and relevant information on the economy. The Bureau's budget and costs grew incrementally from 1999 to 2004. This trend is attributed primarily to mandatory cost increases; the creation of new programs, such as the American Time Use Survey; and important improvements to the Consumer Price Index (CPI), Producer Price Index (PPI), and Employment Cost Index (ECI).





Software publishers top the list of the ten fastest growing detailed-level *industries* in the U.S., all of which are in the service-providing sector. Health and computer *occupations* account for nine of the ten fastest growing occupations, according to the 2002-12 Employment Projections data produced by DOL's Bureau of Labor Statistics. Private citizens, businesses, and public policy officials require information on high-growth industries and high-demand occupations to make career and staffing decisions and to plan programs on education and training. Michael Horrigan, BLS Assistant Commissioner for the Office of Occupational Statistics and Employment Projections, presented projections information at the 20th annual BLS Labor Market Information Conference in Omaha, Nebraska. The conference provided the opportunity for BLS, its State partners, and its customer community to share views on data usage and future information needs. Employment projections information can be found on the BLS website at http://www.bls.gov/emp.
Photo credit: Scott Hunzeker, Nebraska Workforce Development – Department of Labor

Future Challenges

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

To respond to the changing economy:

- BLS continued to provide information that informs the public of our changing economy. BLS published the first annual estimates from the American Time Use Survey, providing a wealth of information on the way Americans spend their time, such as paid work, childcare, volunteering, commuting, and socializing.
- BLS released official estimates of the Job Openings and Labor Turnover Survey (JOLTS) which includes the number and rate of job openings, hires, and separations, which yields better information on the nature and function of the job market. Previously, JOLTS data were released as a developmental series.
- As the last phase of a comprehensive overhaul of its compensation surveys, BLS published new data on the incidence and characteristics of employee benefit plans. The new publications initiate a regular program of reports that will be issued much more quickly than in the past. They will include new data breakouts by employee and establishment characteristics, and allow for the simultaneous analysis of wages, employee benefit plan costs, and employee benefit plan details together for the first time.

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

- BLS continued to develop strategies that address the causes of nonresponse. During FY 2004, BLS distributed to respondents 14 program-related brochures that provide visual step-by-step guidance on developing customized data tables from the BLS website. Respondents use the tool to extract information that meets their unique needs. Thus, respondents better understand the importance of the data that they provide to BLS and the importance of their continued voluntary response.

To meet the challenges of evolving technology:

- BLS continued to expand the use of Internet data collection in order to provide respondents with quick and easy-to-use data reporting options. In FY 2004, over 29,000 respondents to the Survey of Occupational Injuries and Illnesses selected the BLS Internet data collection option to report their information, accounting for approximately 14.5 percent of the total respondents pool. Additionally, the U.S. Import and Export Price Indexes initiated Internet data collection for their respondents; other BLS programs are analyzing opportunities to provide the option.

Timely, Accurate, and Relevant Economic Information

Performance Goal 1.3A (BLS) – FY 2004

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

Indicators
Improve relevancy
Improve data relevance by reflecting changes in the economy, as measured by the number of series (e.g., Current Employment Statistics, Employment Cost Index, etc.) converted to the North American Industry Classification System (12 series in total);

Improve accuracy (Coverage)
Improve coverage by increasing the percent of domestic output of in-scope services included in the Producer Price Index;
Improve coverage by increasing the percent of in-scope industries in the labor productivity measures;

Improve accuracy (Response)
Improve the response to the Employment Cost Index;

Enhance information technology
Lessen the likelihood of major systems failures that could affect the PPI's ability to release data on time, as measured by the percent of the components of the new repricing system completed;

Other measures
Raise customer satisfaction with BLS products and services (e.g. the American Customer Satisfaction Index);
Deliver economic data on time (Percent of scheduled releases issued on time); and
Percent of accuracy measures met (e.g., revision, response rates, etc.).

Program Perspective
BLS reports performance for this goal by producing timely and accurate data that meet customer needs. Improvements to the data are measured through increases in the relevancy, coverage, and response of the statistics. BLS revised its FY 2004 performance goal to focus more on outcomes and be more transparent to the general user. This new framework and the indicators presented here represent the various dimensions of BLS products and services that are important to our customers. The targets chosen balance respondent burden and data user needs, while supporting continuous improvement of our programs and products. BLS continuously improves its statistical processes and products to ensure that decision-makers have available information that is useful and relevant.

Results, Analysis and Future Plans
The goal was not achieved. However, targets were exceeded, reached, or substantially reached for seven of the eight performance indicators.

BLS reached its target for converting four data series from the SIC system to the North American Industry Classification System (NAICS) in FY 2004; however, the release of the PPI using the NAICS was delayed. The release of January data, planned for February, took place in March. The Occupational Employment Statistics Survey, Industry Productivity statistics, and the Census of Fatal Occupational Injuries data were converted to NAICS.

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

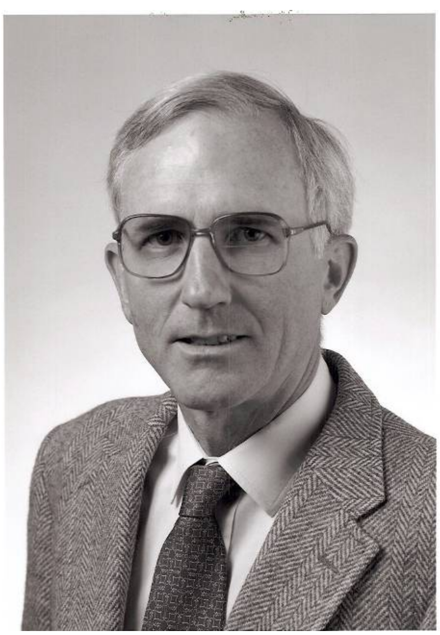
Additionally, BLS reached the target, 78 percent, for improving response of the ECI initiation indicator. The ECI represents employers' costs for employee compensation, including wages, fringe benefits, and bonuses for U.S. employees in all industries.

The NAICS conversion effort of the PPI required a temporary diversion of resources from a systems modernization project, causing BLS to miss its target for completing components of the new repricing system. Seventeen percent of the components were completed as compared to a target of 33 percent. A replanning effort is currently under way to identify and implement strategies to minimize the disruptions.

The BLS website receives an average of about 2.5 million user sessions each month, with over half of those sessions directed to the BLS Occupational Outlook Handbook (OOH) website. The OOH is the Bureau's nationally recognized source of career information. Using the American Customer Satisfaction Index (ACSI) survey, the OOH website received a score of 82 in the third quarter of 2004, placing the website in the top 10 percent of government agencies. The aggregated Federal government score for this time period was 71.2.

BLS met the timeliness indicator for 104 out of 108 (96 percent) scheduled releases. The four untimely releases were in the PPI program and were caused by above mentioned difficulties with the NAICS conversion.

Additionally, BLS met the established accuracy target for 35 out of 42 (83 percent) measures. Targeted response rates were missed for the American Time Use Survey, Current Population Survey, Job Openings and Labor Turnover Survey, U.S. Import and Export Price Indexes (two separate rates), ECI (repricing), and the Employee Benefits Survey. BLS uses various strategies to maintain a high level of cooperation for its voluntary surveys and continues to conduct research studies to better understand the causes of nonresponse.



How can a business maximize its competitive advantage with manufacturing productivity gains averaging 9.2 percent in the U.S. (2002) versus 2.7 percent in France and Japan (2002)? What is the impact of an hourly employer labor cost per manufacturing worker of $21.33 in the U.S. (2002) versus $2.38 in Mexico (2002)? At Stanford Graduate School of Business, Professor Robert Flanagan cites these and other BLS statistics on comparative manufacturing productivity and labor costs, as well as employment and unemployment statistics, challenging his students to consider how their own work would change in different economic environments. Professor Flanagan, the Konosuke Matsushita Professor of International Labor Economics and Policy Analysis at Stanford, teaches economics in the Executive Education and MBA programs. His classes use BLS data to examine recent economic trends and to discuss broad differences in economic outcomes among countries. International comparison data can be found at http://www.bls.gov/fls/home.htm.
Photo Credit: Visual Arts Services

Management Issues

BLS is confident that the performance data collected and reported are complete, accurate, and reliable.

BLS programs are evaluated both internally and externally to ensure that they provide taxpayer value. As required by OMB Statistical Policy Directive #3, the seven statistical series designated as Principal Federal Economic Indicators are evaluated on a three-year schedule. In FY 2004, BLS completed the performance evaluation for the Current Population Survey.

In response to the Program Assessment Rating Tool (PART) findings, BLS developed an efficiency measure and revised its performance goals to focus more clearly on outcomes and increase transparency. The BLS PART score improved to 88, receiving an effective rating, the highest rating category.

During FY 2004, BLS responded to the Office of the Inspector General (OIG) Government Information Security Reform Act (GISRA) Review of the Current Population Survey (CPS). Findings were related to the CPS Continuity of Operations Plan, CPS System Security Plan, security controls of the CPS, and a Bureau-wide Uninterruptible Power Supply system. The review is described in Appendix 2 of this report (Study 1).

Strategic Goal 2: A Secure Workforce

Promote the Economic Security of Workers and Families

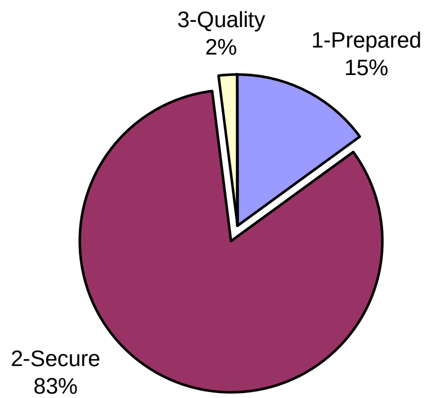
Protecting workers' wages and working conditions, providing unemployment compensation and other benefits when workers are unable to work, and retirement and health benefit security are central to the DOL mission. This strategic goal captures these priorities and consists of two outcome goals: *Increase Compliance With Worker Protection Laws*, which focuses on safeguarding employees' wages, working conditions, and union democracy and financial integrity; and *Protect Worker Benefits*, which deals with relief in the form of unemployment, disability, and pension and health care insurance benefits. Agencies supporting this strategic goal are the Employment and Training Administration (ETA), the Employment Standards Administration (ESA), the Employee Benefits Security Administration (EBSA), and the Pension Benefits Guaranty Corporation (PBGC).

Outcome goals 2.1 and 2.2 contain six performance goals (see table below), of which two were achieved, two substantially achieved and two not achieved in FY 2004. The Department performed well, with significant progress in improving worker protection and union compliance, recovery of erroneous payment of unemployment benefits, improved effectiveness of pension and health benefit plan enforcement and workers' compensation program administration. Results for several performance indicators were shy of their targets but there were no major disappointments or reversals in our workforce security performance this past year.

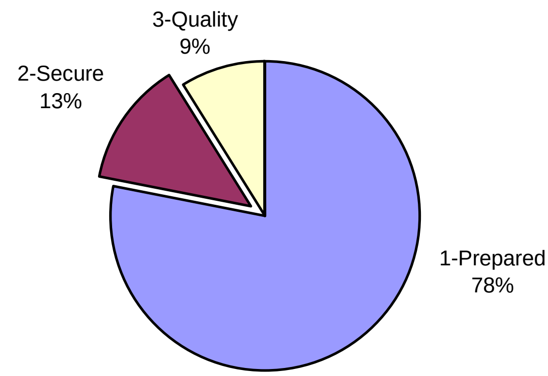
Outcome Goal 2.1 − Increase Compliance With Worker Protection Laws 1 performance goal achieved & 1 substantially achieved	
ESA Wage and Hour Division (2.1A) – substantially achieved	The Department reached targets for increasing compliance with the Fair Labor Standards Act (FLSA) in the chronically delinquent garment manufacturing, long-term health care, and agricultural commodities industries. The target to reduce recidivism of prior FLSA violators was not reached, however.
ESA Office of Labor Management Standards (2.1B) – achieved	The Department reached targets to increase unions' financial integrity and transparency.
Outcome Goal 2.2 – Protect Worker Benefits 1 performance goal achieved, 1 substantially achieved & 2 not achieved	
ETA Unemployment Insurance (2.2A) – not achieved	ETA reached targets for recovery of estimated overpayments, facilitating reemployment and establishing tax accounts but failed to reach its target for timeliness of first payments.
EBSA Pension and Health Benefit Security (2.2B) – achieved	EBSA reached all targets, including those for successful conduct of civil and criminal cases against benefit plan malfeasance, and customer satisfaction with participant assistance received.
ESA Office of Worker Compensation Programs (2.2C) – substantially achieved	ESA reached nine of ten targets. ESA reduced the lost production days for USPS employees, but failed to do so across the Government. ESA also kept Federal Employee Compensation Act medical costs inflation below the national healthcare inflation rate and reached targets for the timeliness of processing Energy Employees Occupational Illness Compensation initial claims.
PBGC Pension Plan customer satisfaction (2.2D) – not achieved	PBGC reached its target for customer satisfaction of participants in trusteed plans but not for sponsors of covered plans.

The following charts illustrate DOL's strategic goal net costs in FY 2004, with *A Secure Workforce* shares set apart. The first allocates total Departmental costs of $56.676 billion; the second allocates an adjusted net cost of $11.102 billion that excludes major non-discretionary items associated with this goal.[15] Net costs of this goal in FY 2003 (less Income Maintenance) were $1.969 billion. The decrease occurred in part because of relocation of the WIA Dislocated Worker and TAA programs from Goal 2 to Goal 1; together, these two programs cost approximately $2 billion annually.

FY 2004 Strategic Goal 2 - $46.957 billion
Percent of Net Cost



FY 2004 Strategic Goal 2 - $1.383 billion
Percent of Net Cost not including Income Maintenance



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

[15] The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment ($41.424 billion) plus disability benefit payments to individuals who suffered injury or illness on the job ($4.150 billion).

Outcome Goal 2.1 – Increase Compliance with Worker Protection Laws

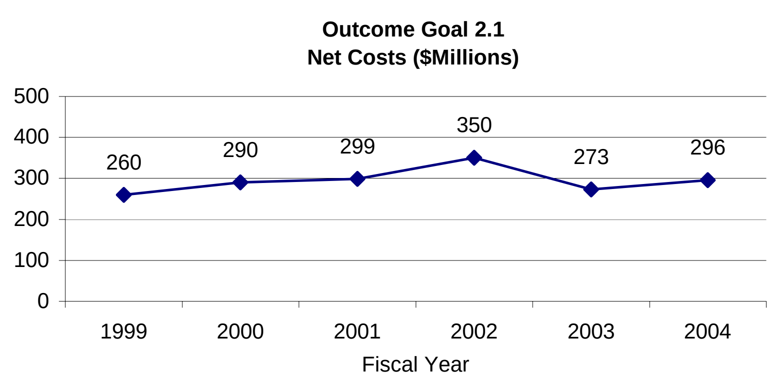
In a global economy, the Employment Standard Administration's (ESA) primary challenge in building a competitive workforce is to ensure that protections for workers are appropriate for – and keep pace with – the changes occurring in the American workforce. Virtual workplaces, aging workers, more women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

Under the Fair Labor Standards Act, the Migrant and Seasonal Agricultural Worker Protection Act, the Family and Medical Leave Act and the Service Contract Act, ESA's Wage and Hour Division (WHD) administers standards for wages and working conditions: the minimum wage, overtime, youth employment, and field sanitation standards in the agriculture industry. Under the Davis-Bacon Act, WHD determines prevailing wages in the construction industry. The key to ensuring worker protections is to focus on industries and employers with the most persistent and serious violations; to quickly resolve employee complaints; and to ensure accuracy in established wage rates. ESA's Office of Labor-Management Standards (OLMS) ensures union transparency, financial integrity, and democracy by administering and enforcing the Labor-Management Reporting and Disclosure Act (LMRDA). OLMS responsibilities under the Act include compliance assistance; civil and criminal investigations and enforcement; union compliance audits; and reports/public disclosure administration. OLMS' strategies are aimed at improving timeliness and quality of union reports filed for public disclosure and strengthening LMRDA compliance through union audits and outreach efforts.

Goal (Agency) – Period **Goal Statement [Achievement]**	**Performance Summary**
2.1A (ESA) – FY 2004 Covered American workplaces legally, fairly, and safely employ and compensate their workers. **[Substantially Achieved]**	The Department reached targets for customer service and for increasing compliance with the Fair Labor Standards Act (FLSA) in the garment manufacturing, long-term health care, and agricultural commodities industries – industries with chronic FLSA violations. DOL did not reach its targets for reduction of FLSA recidivism and for increasing the percent of nursing home workers employed in compliance. The target for timely and accurate prevailing wage determinations was reached.
2.1B (ESA) – FY 2004 Advance safeguards for union financial integrity and democracy and the transparency of union operations. **[Achieved]**	The Department reached targets increasing union financial integrity and for increasing union transparency.

Net Cost of Programs

FY 2004 program costs of $296 million supported ESA's Wage and Hour Division (WHD) and Office of Labor-Management Standards (OLMS) programs. This is an increase of 8% ($23 million) over FY 2003. The WHD budget increased to cover operating expenses. Approximately 75 percent of WHD's resources are devoted to complaint investigations and resolution. The success of this effort is reflected in the FY 2004 performance results that show ESA decreased the average number of days to conclude a complaint from 108 to 92 days.



Results Summary

DOL achieved one performance goal and substantially achieved the other. WHD decreased the average number of days to conclude a complaint from 108 days to 92 days, greatly improving performance, and also increased compliance in industries with chronic violations in the garment manufacturing, long-term health care, and agricultural commodities industries. A FY 2004 survey found 55 percent of nursing homes in compliance and 90 percent of industry employees paid in compliance with the FLSA. WHD added ten compliance assistance programs to the three previous ones, affecting over 900,000 agricultural employers. Following WHD investigations 335 agricultural housing providers corrected violations, an increase from 256 in FY 2003. WHD did not reach its target for reduction of employer FLSA violation recidivism. The Davis-Bacon Act (DBA) wage determination program reached targets to establish a wage determination processing baseline and to issue 80 percent of all survey-based DBA wage determinations within 60 days.

DOL reached both of its union financial integrity targets. OLMS established a fraud baseline of nine percent of those unions filing reports under LMRDA; and the percentage of union reports meeting standards of acceptability increased in to 92 percent. Better union public disclosure reports resulted from agency compliance assistance efforts and increasing use of electronic reporting formats.

"A new way of doing business, where government goes directly to the people in an effort to better serve and protect." This is how operation COACH (Compliance Outreach to Asian Communities and Hispanics) has been described by northern New Jersey local media. This innovative program has also sparked positive response from community groups. The Wage and Hour Division (WHD) instituted this program in December 2003 to promote awareness of WHD laws and programs in the Asian and Hispanic communities, and to work directly with employers and workers who traditionally have been reluctant to seek WHD's services. Under COACH, WHD investigators have visited over 650 businesses that employ more than 4,540 workers. Seventy-four percent of the businesses reached were either Asian or Hispanic owned. Fifty-nine percent of all the businesses visited indicated that prior to COACH, they had no knowledge of or experience with WHD. Over ninety-five percent offered that they did not know how to reach the local WHD office or even how to access the DOL web page. Much of the operation's success is attributed to a non-adversarial compliance assistance based strategy that emphasizes face–to-face contact and bilingual investigators.
Photo credit: Nancy Vazquez-Gunatilaka, DOL Investigator

Future Challenges

ESA faces many challenges to meeting its goal of achieving compliance with worker protection laws. In FY2005, WHD will continue working within established employer partnerships; seeking new such agreements; and continuing compliance assistance to employers and employees. WHD will also transition to goals and measures that more fully capture compliance in a broad spectrum of low-wage industries; continue its targeted compliance assistance programs; continue self-directed investigations in industries with chronic violations; and reinvestigate employers where future compliance is uncertain.

Performance success in the wage determination program depends on upgrades in information technology. WHD is working to combine the DBA Wage Determination Generation and Automated Survey Distribution Systems into one automated data processing system that should greatly enhance the program's ability to obtain, store and distribute construction wage determinations.

Protect Workers' Wages

Performance Goal 2.1A (ESA) – FY 2004

Covered American workplaces legally, fairly, and safely employ and compensate their workers.

Indicators
Ensuring continued customer service by maintaining the average number of days to conclude a complaint;

Reducing employer recidivism by increasing the percentage of prior violators who achieved and maintained FLSA compliance following a full FLSA investigation;

Increasing compliance in industries with chronic violations; and

Ensuring timely and accurate prevailing wage determinations.

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

The key to ensuring worker protections is to focus on industries and employers with the most persistent and serious violations; to resolve employee complaints expeditiously; and to ensure that established wage rates are accurate. By focusing compliance efforts in low-wage industries like agriculture, health care, and garment manufacturing, WHD seeks to protect those low-wage workers most likely to be paid less than legally required or unsafely housed. By reducing repeat violations, WHD can achieve lasting compliance on behalf of many employees. WHD ensures responsiveness by reducing the time it takes to resolve employee complaints. Timely and accurate prevailing wage determinations encourage efficiency and help ensure government contract workers receive the wages to which they are entitled.

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

Results, Analysis and Future Plans
The goal was substantially achieved. Eight of ten targets were reached. The average number of days to conclude a complaint declined from 108 days to 92 days, reaching the complaint response target. DOL did not reach its target to reduce recidivism of prior violators; compliance for this group fell by two percentage points from the FY 2003 baseline of 73 percent. WHD reached all but one of the targets associated with increasing compliance in industries with chronic violations: garment manufacturing, long-term healthcare, and agricultural commodities. In the health care industry, WHD increased the percent of workers employed in compliance by 1.2 percentage points – just under the 2 percentage point target. Targets and results appear in the table below.

Industry	Action	Target	Performance	Achieved?
Garment	Increase employees "on the payroll" in NYC	1 Percentage Point	6 Percentage Points	Y
Garment	Increase manufacturers' monitoring of their Southern CA shops	2 Percent	2 Percent	Y
Long-term Health Care	Increase nursing home FLSA compliance	5 Percentage Points	15 Percentage Points	Y
Long-term Health Care	Increase employees paid in compliance with FLSA	2 Percentage Points	1.2 Percentage Points	N
Agricultural Commodities	Increase compliance among employers subject to DWHaT	2 Percent	Result are nearly 200 times baseline	Y
Agricultural Commodities	Increase corrected housing violations after intervention	1 Percent	31 Percent	Y

WHD also reached its timely and accurate prevailing wage determinations targets, establishing a baseline of 1491 wage determination data submission forms processed per 1,000 hours, and issuing 86 percent (13 of 15) wage surveys within 60 days, against a target of 80 percent.

WHD improved customer service responsiveness by updating complaint intake procedures, regular review of complaint inventories, streamlining procedures to ensure early contact with complainants, and through good fact development. WHD has established three key effective strategies to increase compliance in industries with a history of chronic FLSA violation: compliance assistance, enforcement and collaborative partnerships. In garment manufacturing, monitoring through unannounced visits, payroll record and timecard reviews, employee interviews have all proven effective. In the long-term care industry, compliance assistance, partnerships and enforcement have been effective in increasing FLSA compliance. Across the board, compliance assistance has been effective – dissemination of industry-specific fact sheets and employee rights cards, face-to-face employer consultations, and entering into compliance partnerships with several major nursing homes. In the agricultural industry, targeted compliance assistance and compliance partnerships have worked especially well. A FY 2004 partnership with the Tennessee Farm Bureau accounts for the greatest increase of employers impacted by a compliance partnership, with just over 500,000 members.

Over the last several years, the DBA wage determination program took steps to improve the accuracy and timeliness of prevailing wage determinations for the construction industry. Following OMB's PART review of the DBA wage determination program, WHD added timeliness and accuracy performance indicators – the two aspects of the DBA wage survey program that significantly impact wage determination performance.

WHD is using a new complaint indicator in FY 2005 and will concentrate on the number of days it takes to resolve *violation* complaints. This will prevent any unintentional emphasis on speed at the cost of finding and correcting violations. To reduce FLSA violation recidivism, WHD will promote long-term compliance among employers through detailed compliance agreements outlining agreed-upon steps for compliance; and reinvestigating cases where future compliance is uncertain. WHD will continue its transition to goals and measures that more fully capture compliance in a broad spectrum of low-wage industries. As a result, there will not be specific indicators for the health care and agriculture industries. However, WHD will continue its targeted compliance assistance programs and enforcement activities to promote housing and transportation compliance.

Performance success in the wage determination program depends on upgrades in information technology. WHD is working to combine the DBA Wage Determination Generation and Automated Survey Distribution Systems into one automated data processing system. This software development will greatly enhance the program's ability to obtain, store and distribute construction wage determinations.

Management Issues
Data used in reporting performance against goals are derived largely from the WHD Investigative Support and Reporting Database (WHISARD). An independent analysis conducted by the University of Tennessee this year found high levels of consistency between WHISARD data and case file information, with 90% or greater consistency on 25 of the 33 data elements. Other performance data sources are Wage Hour's statistically valid investigation-based compliance surveys, which are tabulated and reviewed by independent sources to ensure accuracy and completeness.

WHD has undertaken four program evaluations in FY 2004 focusing on: (1) identifying new compliance measures in low-wage industries; (2) integrating budget and performance information ; (3) conducting a cost/benefit analysis of recommendations to update the Youth Employment Hazardous Occupations rules; and (4) an assessment of WHD compliance assistance efforts. WHD will undertake two new evaluations next year: 1) the development of models to employ common compliance strategies across low-wage industries; and 2) an evaluation of the agency's compliance assistance web information.

In the spring of 2004, the Office of Inspector General issued a final report on WHD's Davis-Bacon Act wage determination program. A summary of the findings is included in Appendix 2 (Study 5). In the spring of 2003, WHD's Davis Bacon wage determination program was assessed through a Program Assessment Rating Tool (PART) review. The assessment found that the program did not demonstrate results. In response, WHD has developed overarching goals to ensure program performance improvements in determining and issuing prevailing wage rates with specific numeric targets. In addition, WHD contracted with an outside company to evaluate the Davis Bacon wage survey process.

Union Financial Integrity and Transparency

Performance Goal 2.1B (ESA) – FY 2004

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

Indicators
Increasing union financial integrity: Baseline information on unions with fraud will be developed and performance targets will be established; and

Increasing union transparency. The percentage of union reports meeting standards of acceptability for public disclosure will increase to 75%.

Program Perspective
OLMS ensures union transparency, financial integrity, and democracy by administering and enforcing the Labor-Management Reporting and Disclosure Act (LMRDA). The Act requires annual publicly available union financial reports; establishes standards for union officer elections; and imposes criminal sanctions for union fund embezzlement. OLMS assists union compliance; conducts civil and criminal investigations, and compliance audits; and administers public disclosure of required reports. Improving the timeliness and quality of union reports filed for public disclosure and strengthening compliance through audits and outreach efforts are key strategies.

Results, Analysis and Future Plans
DOL reached both indicator targets for this performance goal.

Union Financial Integrity
OLMS audited a randomly selected sample of reporting unions to establish a baseline measure of union fraud. The survey established that fraud is indicated in nine percent of unions subject to the LMRDA. An audit finding of a criminal LMRDA violation, predominantly union funds embezzlement, was counted as an indicator of fraud. OLMS will seek to reduce the percentage of unions with fraud to 7.5 percent in FY 2005. Strategies to achieve the goal are union outreach, a visible audit presence, and a strong criminal enforcement program.

Union Transparency
Union reports meeting standards of acceptability increased to 92 percent. This resulted from agency compliance assistance efforts and increasing use of electronic reporting formats, which include error checks and report validation to assist filers in preparing complete and accurate reports. Increased union transparency is critical to promoting union democracy and financial integrity. In FY 2005, OLMS will increase compliance rates to 95 percent by continuing outreach and compliance assistance efforts, and increasing use of electronic forms.

When major revisions of annual reporting requirements for labor unions were announced on October 9, 2003, DOL's Office of Labor-Management Standards (OLMS) took extraordinary steps to make sure union officials would clearly understand the changes. OLMS hosted 155 seminars in 44 states, explaining to more than 5,000 union representatives the changes designed to promote union democracy and financial safeguards for millions of American union members. OLMS also issued 10,000 compliance guides; hosted a seminar in Washington, D.C. for 130 certified public accountants; held 29 special briefings for international unions; set up dedicated sections on its web site where unions can download reporting software and PowerPoint presentations, and find answers to frequently asked questions (FAQs). OLMS has established an e-mail message service to notify interested subscribers of new FAQs, compliance assistance materials, and other developments. The photo was taken at an OLMS seminar in May for members of the Transport Workers Union (TWU) at The George Meany Center for Labor Studies in Silver Spring, Md.
Photo credit: Jerry Frishman

Management Issues
Performance data comes from two systems. The Case Data System includes comprehensive information about OLMS investigations, audit findings, and subsequent enforcement actions. The labor organization report system (e.LORS) includes timeliness and LMRDA union report sufficiency information.

Maintaining effective union outreach and a visible audit presence will be essential to increasing union financial integrity. Timely, accurate union financial reports are essential to promoting union democracy and financial integrity. Completeness and accuracy of union reports are markedly increasing as a result of compliance assistance efforts and increasing use of the electronic union annual reporting. Timely public disclosure reporting remains a continuing challenge in spite of OLMS' comprehensive program efforts to correct a persistent delinquent report problem. To address this challenge, DOL supports amendment of the LMRDA to authorize civil monetary penalties for late filing.

Outcome Goal 2.2 – Protect Worker Benefits

Protecting the benefits earned and promised to U.S. workers is a central feature of DOL's secure workforce strategic goal. DOL helps increase the economic security of America's working families by temporary protecting wages for the unemployed; protecting private employee pension plans, health plans and other benefits plans against fraud and abuse; protecting Federal and certain other workers from the economic effects of work-related injuries and illness; and protecting against lost or interrupted pension payments of workers whose companies terminate their defined benefit plan. Three DOL agencies and one government corporation chaired by the Secretary of Labor create a more secure U.S. workforce by protecting worker benefits – the Employment and Training Administration (ETA), the Employee Benefits Security Administration (EBSA), the Employment Standards Administration (ESA), and the Pension Benefit Guaranty Corporation (PBGC).

ETA temporarily replaces the wages of the unemployed through the Unemployment Insurance (UI) program, which provides grants to State-operated programs and manages the Unemployment Trust Fund. ETA ensures that States' programs are administered efficiently according to Federal standards and requirements, and manages the trust fund to provide a buffer to volatile cycles in tax revenues and benefit claims. EBSA protects private employee pension plans, health plans and other benefits plans against fraud and abuse by enforcing Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA); through compliance assistance, and through education. Where there has been malfeasance, EBSA restores benefits and assets by bringing civil and criminal cases.

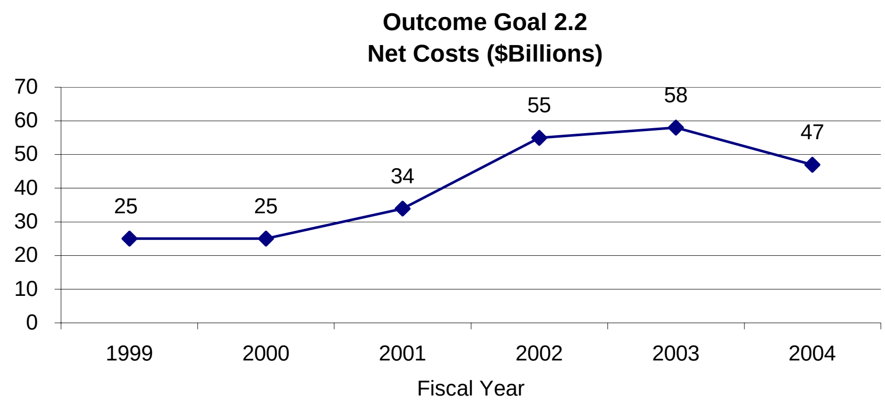
ESA protects Federal and certain other workers from the economic effects of work-related injuries and illness's through the Office of Workers' Compensation Programs' (OWCP) four disability compensation programs. OWCP provides wage replacement and cash benefits, medical treatment, vocational rehabilitation, and other benefits to covered workers, their dependents and survivors. PBGC protects the pension benefits of participants in defined benefit plans that have been terminated, usually due to the sponsoring employer's bankruptcy, by serving as both insurer and administrator. As an insurer, PBGC collects insurance premiums from employers that sponsor insured pension plans. As an administrator, PBGC pays monthly retirement benefits to the participants in terminated plans.

Goal (Agency) – Period Goal Statement [Achievement]	**Performance Summary**
2.2A (ETA) – FY 2004 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. **[Not Achieved]**	ETA reached targets for recovery of estimated overpayments, facilitating reemployment and establishing tax accounts. ETA failed to reach its target payment timeliness for first payments.
2.2B (EBSA) – FY 2004 Enhance pension and health benefit security. **[Achieved]**	EBSA reached all targets, including those for successful conduct of civil and criminal cases against benefit plan malfeasance, and customer satisfaction with participant assistance received.
2.2C (ESA) – FY 2004 Minimize the human, social, and financial impact of work-related injuries for workers and their families. **[Substantially Achieved]**	ESA reached nine of ten targets. Lost production days fell for USPS employees, but not for all other agencies. ESA also kept Federal Employee Compensation Act medical costs inflation below the national healthcare inflation rate.
2.2D (PBGC) – FY 2004 PBGC will improve customer satisfaction according to the American Customer Satisfaction Index (ACSI). **[Not Achieved]**	PBGC reached its target for customer satisfaction of participants in trusteed plans, but not for sponsors of covered pension plans.

Net Cost of Programs
FY 2004 program costs of $46.7 billion supported ETA's unemployment insurance and foreign labor certification programs, EBSA efforts to ensure that individuals receive promised benefits, and ESA programs to reduce the consequences of work-related injuries. PBGC is not included in the Consolidated Statement of Net Costs, hence the costs of its programs are not reflected here.

FY 2004 program costs decreased by approximately $11 billion, or 20%, from FY 2003. Unemployment Insurance program costs account for the entire decrease in costs and account for 93 percent of FY 2004 expenditures for this outcome goal. UI Program costs are largely driven by average weekly insured unemployment (AWIU) − the average number of people filing claims for continuing UI benefits each week. The AWIU figure decreased from 3.646 million in FY 2003 to an estimated 3.167 million in FY 2004. UI benefits paid decreased from $54.0 billion in FY 2003 to an estimated $42.1 billion in FY 2004.

The considerable decreased costs for Outcome Goal 2.2 were minimally offset by increased costs to ESA’s Black Lung program. In FY 2004, the Special Benefits for Disabled Coal Miners was transferred to ESA from the Social Security Administration. The amount apportioned for this account in FY 2004 is $403 million.



Results Summary
ETA did not meet its UI performance goal, which saw its intrastate first payment timeliness (within three weeks) fall from 88.9% to a projected 88.7%. However, ETA did improve payment accuracy, facilitation of reemployment, and quick determination of UI claimants’ tax liability. Of particular importance is the improved detection of overpayments, which is crucial to the integrity of UI administration. ESA substantially achieved its goal for Office of Workforce Compensation Programs’ four disability compensation programs. ESA successfully placed 62 injured USPS employees who were vocational rehabilitation program participants with new employers and produced $23.4 million in savings by carefully reviewing cases for continued disability status, and reemployment potential. The savings resulted from benefit adjustment and roll reduction. ESA also become more efficient in resolving disputed Longshore and Harbor Workers’ program cases and in processing Initial claims of the Energy Employees Occupational Illness Compensation claims.

Meeting its performance goal, EBSA saw its ratios for successful civil and criminal cases improve. Success in the case ratio indicators demonstrates EBSA’s improved selection and conduct of investigations. A successful closed civil investigation is one in which rightful assets are protected or returned to plans and participants. A successful criminal investigation is one that is referred for prosecution. While PBGC managed to improve its customer service score for participants in trusteed plans, it did not reach its target for improving customer service to plan sponsors.

The Oregon Employment Department is making life easier for its unemployment insurance customers through its new debit card option. The ReliaCard Visa functions like a debit card and allows recipients a new level of security in obtaining their benefits by avoiding the possibility of stolen, lost, or destroyed checks – another initiative to guard the Unemployment Insurance program against fraud. This new option has benefited both the state and unemployment insurance recipients. Oregon has saved a considerable amount of money on the printing, mailing, and processing costs associated with payment by paper checks. In addition, customers benefit from faster, easier access to benefits. One happy customer noted, "I have done my banking at U.S. Bank for many years, and when the Oregon Employment Department offered the opportunity to receive my benefits by debit card, I jumped at the chance. It is very convenient."
Photo credit: Craig Spivey

Future Challenges

Many of the challenges the Department faces in protecting worker benefits are associated with the dynamic nature of the 21st Century workforce. UI program administration must maintain its integrity by preventing tax avoidance and reducing overpayments. In FY 2005, ETA will focus on reducing UI tax avoidance and benefit overpayments, and EBSA will make programmatic adjustments to achieve the right mix of targeted enforcement, compliance assistance, and education in protecting nearly 7,000,000 employee pension, health, and other benefit plans.

Other challenges for DOL's workforce compensation programs include increasing medical costs and a large expected influx of claimants. As general medical costs continue to rise in line with expanding medical technologies, the compensation programs' medical costs will also rise. DOL strives to ensure that the inflation rate for these medical costs increases more slowly than the comparable national healthcare rate. The number of Defense Base Act Longshore claims from injured civilian contractors in Iraq and Afghanistan is increasing, and could increase dramatically should the potentially large pool of Iraqi civilians employed by American contractors begin to file claims. PBGC continues to face an unprecedented influx of terminated plans. Meanwhile, participants' and practitioners' expectations for speed and accuracy of services continue to rise, specifically in the demand for electronic transactions and information. PBGC will identify opportunities to improve customer service in the face of an increased customer base that demands improved speed, accuracy, and information.

Pay Unemployment Insurance Claims Accurately and Promptly

Performance Goal 2.2A (ETA) – FY 2004

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

Indicators
Payment Timeliness: 89.2% of all intrastate first payments will be made within 14/21 days;

Payment Accuracy: Establish for recovery at least 59% of the amount of estimated overpayments that the States detect;

Facilitate Reemployment: A method for establishing an entered-employment rate for UI claimants was pilot tested in FY 2003, and a baseline will be established using pilot data; and

Establish Tax Accounts Promptly: 82.2% of determinations about Unemployment Insurance tax liability of new employers will be made within 90 days of the end of the first quarter they become liable for the tax.

Program Perspective
By temporarily replacing part of lost wages, the Federal-State Unemployment Insurance (UI) system ameliorates personal financial hardship due to unemployment and stabilizes the economy during economic downturns. For both workers and employers, the program's success depends upon: timely payment of benefits; prevention or prompt detection of erroneous payments; timely establishment of new employers' tax accounts to ensure the reporting of workers' wages and payment of taxes to fund benefits; and promoting and facilitating workers' return to suitable work. States operate their own programs under their own laws. As the Federal partner, DOL provides program leadership, allocates administrative funds, provides technical assistance, and exercises performance oversight to help ensure that the system efficiently provides the greatest security to workers and that States meet requirements of federal UI laws and regulations.

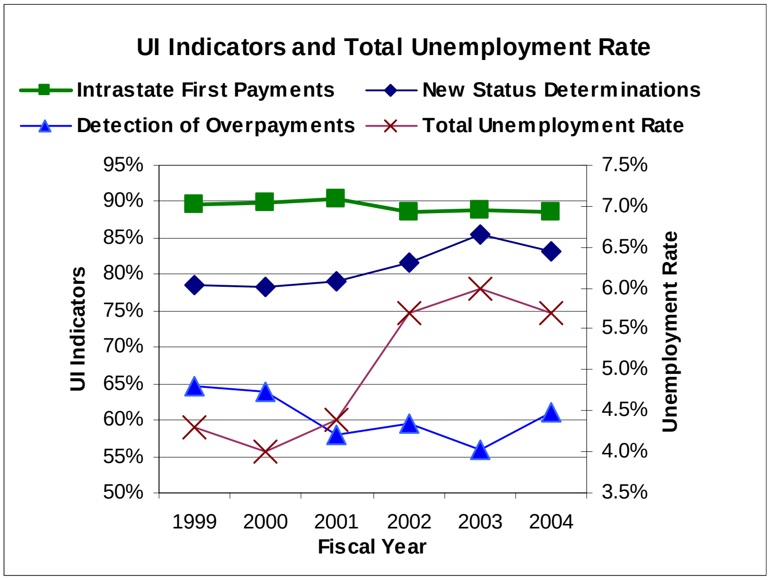
Economic conditions and the resulting program workloads affect many aspects of UI performance. For example, when unemployment rises, more claims are filed, and UI payment timeliness generally declines. On the other hand, slower new business creation reduces the number of new employer tax accounts, and the timeliness of tax liability determinations generally goes up. Higher levels of claims and payments tend to increase the number/dollar amount of overpayments – often temporarily outpacing detection and recovery efforts.

Results, Analysis and Future Plans
The goal was not achieved, but three of the four targets were reached:

- *Payment Timeliness:* 88.7 percent of first payments were made within three weeks, just short of the target of 89.2 percent.
- *Payment Accuracy:* States established for recovery 61 percent of the estimated amount of overpayments they could detect and recover.
- *Facilitate Reemployment:* After completion of a successful 6-state pilot and establishment of a baseline of 51.5 percent based on pilot results, DOL began to seek Office of Management and Budget (OMB) approval to collect data from all states on re-employment of UI claimants. States' reporting would begin no earlier than the first quarter of FY 2006.
- *Establish Tax Accounts Promptly:* 83 percent of determinations establishing employers as newly liable for filing UI reports and paying UI taxes were made within 90 days of the end of the quarter they became liable.

The UI system performed extremely well in the face of high claims workloads. The number of beneficiaries, 8.7 million, was lower than in FY 2003 (10.3 million), but one million of them received over $4 billion in extended benefits – mostly Temporary Extended Unemployment Compensation – as well as regular benefits. Benefit payments totaled $40.8 billion, down from $53.3 billion in FY 2003. States maintained first payment and new employer status determinations timeliness at a high level and improved detection of overpayments.

ETA continues to emphasize payment integrity. In March, 2004, ETA signed a memorandum of understanding with the Social Security Administration (SSA) to allow State Workforce Agencies (SWAs) and SSA to exchange data in real time. SWAs that have met the system security requirements and have established a data-sharing agreement will have access to SSA data to verify personal information, such as name, social security number, and date of birth for those applying for unemployment benefits. In August, the President signed a law giving States access to the National Directory of New Hires, an additional tool for swiftly detecting and preventing payments to claimants who have returned to work. For FY 2005, targets for all indicators will be raised.



Management Issues

DOL is seeking authorization to collect data for the Facilitate Reemployment indicator for reporting in FY 2006. Because of established reporting schedules, 4th quarter data for the Payment Accuracy and Establish Tax Accounts Promptly indicators were not available in time for publication in this report. The results reported are projections of fiscal year performance using regression models that incorporate the latest available performance data and reflect OMB's mid-FY 2004 economic assumptions.

In its FY 2004 report listing DOL's top management challenges, the Office of Inspector General (OIG) listed identity theft, UI overpayments, and State UI trust fund solvency. OIG recommended that ETA enhance investigative training for State UI personnel to focus on fraud prevention and detection. ETA provided funding to States to: (1) implement data exchanges with the Social Security Administration for the purpose of matching Social Security Numbers to identify false numbers; and (2) access data from other States to verify identities. ETA also provided States with a written alert suggesting action that States could take to combat identity theft problems.

A recent OIG study found that the new hire detection method is better for establishing UI overpayments than the wage/UI benefit cross-match (Study 6 in Appendix 2). In response to OIG's recommendation, ETA provided funds and encouraged States to access their new hire directories and other State databases. In August 2004, the President signed into law a bill giving States access to the National Directory of New Hires, thereby removing a critical barrier to improved overpayment detection. ETA is pilot testing cross-matching of its Benefit Accuracy Measurement (BAM) investigation case database against State wage records to more completely detect overpayments. If this process proves cost-effective, it will be incorporated into the BAM methodology.

OIG remains concerned that States' trust funds may not have adequate reserves to meet projected UI compensation demands. ETA has developed and regularly publishes various measures of State solvency to help inform and guide State decisions on tax rates. In the short term, the system loans funds to States that have encountered serious cash flow problems, thus enhancing UI's impact as an automatic economic stabilizer.

DOL also commissioned a study, *Internet Initial Claims Evaluation* (Study 22 in Appendix 2) that evaluated service delivery; security; fraud and abuse controls; and cost effectiveness, and concluded that Internet initial claims filing is a convenient and cost-effective method of claims taking, and that there is no evidence that this method leads to increased erroneous payments or system security breaches. In its 2003 Program Assessment Rating Tool (PART) review, the Administration concluded that the UI program is effectively managed. Among recommendations was completion of efforts to reduce the overpayment rate. As noted above, the Department has made significant progress in this area.

Provide for Secure Pension and Health Plans

Performance Goal 2.2B (EBSA) – FY 2004

Enhance Pension and Health Benefit Security

Indicator
Enforcement
Achieve greater than a 50% ratio of closed civil cases with corrected violations to civil closed cases;

Achieve greater than a 25% ratio of criminal cases referred for prosecution to total criminal cases; and

Participant Assistance
Achieve a Customer Satisfaction Index of 61, or comparable measurement, for participants and beneficiaries who have contacted EBSA for assistance.

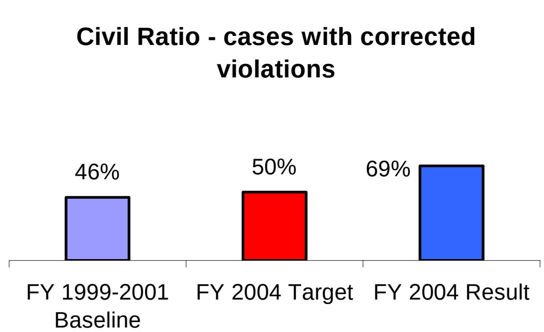
Program Perspective
EBSA is responsible for enforcing the Employee Retirement Income Security Act (ERISA), and the main challenge is to maintain trust and confidence in the employee benefits system. By achieving successful civil and criminal case closure and referral rates, DOL shows its success in targeting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

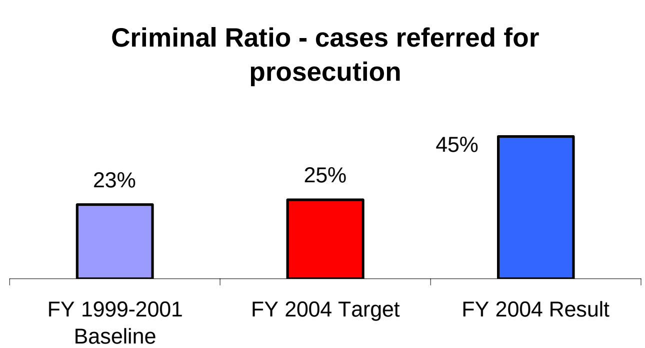
EBSA has steadily improved its performance in the respective areas improving from a civil ratio of 46 percent in FY 1999 to 69 percent in FY 2004, a criminal ratio of 26 percent in FY 2001 to a 45 percent in FY 2004 and a customer satisfaction baseline of 53 in FY 2001 to a satisfaction score of 62 in FY 2004.

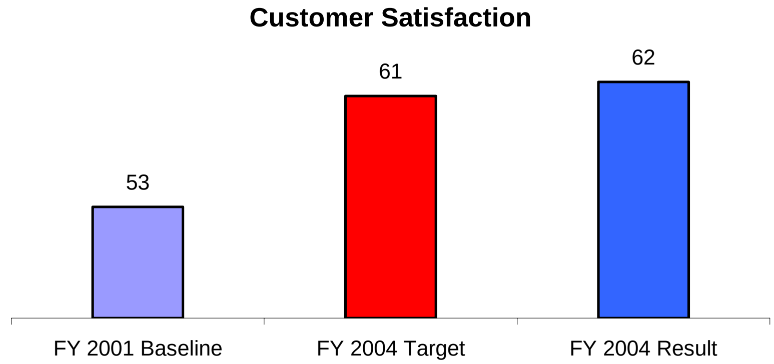
EBSA oversees benefit security for nearly seven million plans, 150 million participants and beneficiaries, and in excess of $4 trillion in assets. Externalities, such as the economy and tax policy, have a significant impact on whether employers opt to offer benefits, and whether employees choose to participate and to what extent.

After receiving a telephone call from a worker alleging that a Connecticut employer had failed to credit him with years of service toward his pension, DOL investigated the participant's retirement plan and determined that the participant's complaint was valid and that other workers were improperly excluded from the plan for an assortment of invalid reasons. As a result of this intervention, the company agreed to increase the pensions of 101 employees by more than $63,000.

Results, Analysis, Future Plans
The goal was achieved. The Department achieved a civil ratio of 69 percent and a criminal ratio of 45 percent while receiving a customer satisfaction score of 62 percent from the Gallup Organization.







DOL obtained monetary results of over $3.1 billion as a result of its investigative and participant assistance activities; a record year. While monetary results can fluctuate significantly from year to year, monetary results have followed an upward trend over the past several years. DOL investigated a number of high profile, resource intensive cases with far reaching effects on the participant benefits community. Benefit Advisors responded to over 99 percent of all written inquiries within 30 days of receipt and responded to over 99 percent of telephone inquiries by the close of the next business day.

In addition to long-term targets for our civil and criminal ratios, we have added annual targets to reflect our success with respect to national enforcement initiatives, consistent with national priorities, which may change from year-to-year, taking into account new enforcement problems. EBSA has worked with Gallup to refine the long-term target consistent with other industry standards and experience. EBSA also added a internal compliance assistance measure that will demonstrate success in voluntary compliance programs such as the Voluntary Fiduciary Correction Program and our Delinquent Filer Voluntary Correction Program. EBSA has also developed an efficiency measure that will provide, as a ratio, costs per enforcement result.

A plan participant needed a lung transplant and filed a pre-service claim to determine if the transplant would be approved. If approved, he would be first on the transplant list. Without the approval, his prognosis was not good. After being told that it might take several weeks to receive a response, the participant contacted DOL. We explained to the employer that the law requires a response within 72 hours for urgent or emergency requests. The employer quickly reviewed the claim and determined that the transplant procedure was covered. As a result, the participant was placed at the top of the waiting list.

Management Issues

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

EBSA has acted on recommendations from its PART assessments in FY 2004 and FY 2005 by establishing proactive evaluation initiatives and a regulatory review program. Specifically, EBSA is conducting a follow-up of its FY 1995 audit quality study to determine the level of compliance of pension plan audits to professional accounting standards. In FY 2005, EBSA expects results from the investigative portion of a baseline compliance study being conducted to measure ERISA compliance in contributory pension plans, focusing on the timeliness and remittance of employee contributions.

In FY 2004, OIG completed audits of EBSA's participant and compliance assistance program and of the process used by EBSA to identify and correct substandard audits of employee benefit plans (Studies 2 and 3 in Appendix 2). Also, EBSA concluded program evaluations of its participant assistance and enforcement programs with the assistance of The Gallup Organization and Mathematica Policy Research, respectively (Studies 16 and 17 in Appendix 2). In FY 2005 Gallup will perform a follow-up study of EBSA's participant assistance program.

EBSA is establishing a regulatory review program that will: (a) set forth a process for identifying initiatives for review, (b) provide for cost and benefit evaluation of identified regulations and exemptions and, (c) explore modifying or eliminating those rules for which costs and administrative burdens outweigh benefits. EBSA and DOL's Assistant Secretary for Policy are developing a Departmental Federal Register notice to seek public input on which pension and benefit regulations should be reviewed.

Reduce the Consequences of Work-Related Injuries

Performance Goal 2.2C (ESA) – FY 2004

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

Indicators
For Federal Employees' Compensation Act (FECA) cases of the United States Postal Service, reduce the lost production days rate (LPD per 100 employees) by 1% from the FY 2003 baseline;

For FECA cases of All Other Governmental Agencies, reduce the lost production days rate (LPD per 100 employees) by 1% from the FY 2003 baseline;

Increase FECA Vocational Rehabilitation placements with new employers for injured USPS employees by 15% over FY 2002;

Through use of Periodic Roll Management, produce $38 million in cumulative (FY 2003-FY 2004) first-year savings in the FECA program;

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

Meet 60% of the annual targets for five communications performance areas;

Reduce by 4% over the FY 2002 established baseline the average time required to resolve disputed issues in Longshore and Harbor Worker's Compensation Program contested cases;

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

77% of Initial Claims for benefits in the Energy Program; and

77% of Final Decisions in the Energy Program are processed within standard timeframes

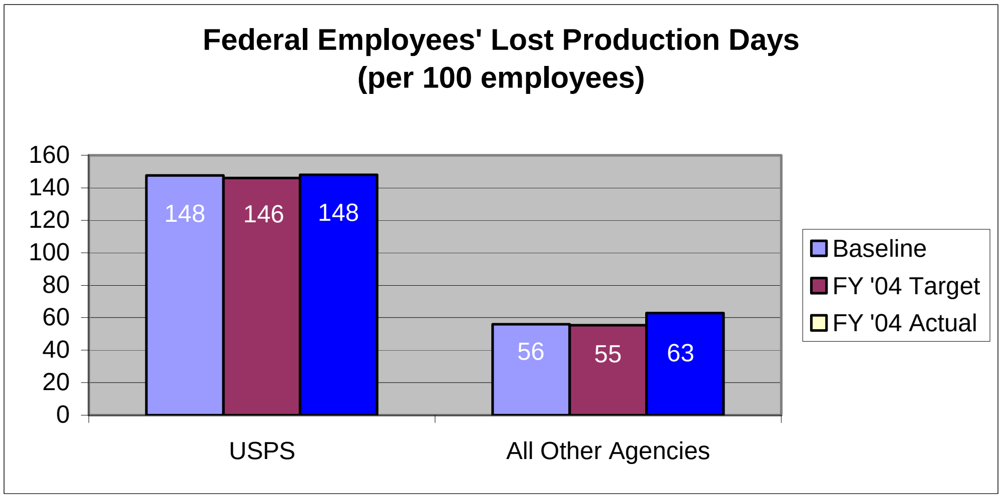
Program Perspective
ESA protects Federal and certain other workers from the economic effects of work-related injuries and illness's through OWCP's four disability compensation programs. OWCP accomplishes this by providing wage replacement and cash benefits, medical treatment, vocational rehabilitation, and other benefits to covered workers, their dependents and survivors. These programs are:

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

Results, Analysis and Future Plans
The performance goal was substantially achieved. Discussion of results at the performance indicator level is organized into three categories: *Returning Injured Federal Employees to Work, Reducing Program Expenses* and *Customer Service.*

Returning Injured Federal Employees to Work
OWCP continued to reduce average time loss in cases receiving FECA benefits through its early intervention strategy, Quality Case Management and active partnerships with postal and other government employers. Despite

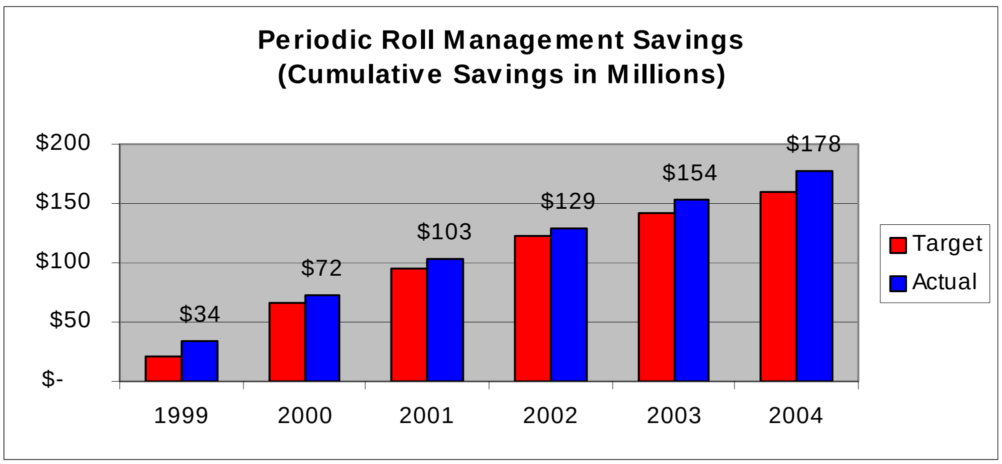
this, LPD rates continued to rise.[16] The USPS LPD rate rose to 148 days against a target of 146 days. Declining employment and greater challenges on reemploying injured USPS workers remain factors in this result. The target for the non-postal agencies also was not reached, as LPD increased by 12 percent to 63, compared to the target of 55 days. The Department of Homeland Security accounted for 90 percent of this increase.



The majority of injured workers who return to work do so with their previous employers, but that has been made more difficult with declining employment levels at USPS. So, beginning in FY 2003, OWCP began emphasizing placement of injured postal workers with new employers. In FY 2004 OWCP reached the target for placing USPS employees who participate in the vocational rehabilitation program into new jobs, placing 62 USPS workers compared to a target of 56. The emphasis on assistance to Postal Service employees will continue in FY 2005.

Reducing Program Expenses

The use of Periodic Roll Management (PRM) to generate savings target was also reached. PRM includes careful review of cases to determine if continued disability status is warranted, and to determine the reemployment potential of those current receiving compensation. DOL saved $49 million over the two-year period (FY 2003 – 2004) compared to a target of $38 million. FY 2004 savings from PRM were $24.4 million compared to a target of $18 million. In FY 2005, DOL has set a target of achieving an additional $17 million in PRM savings.



DOL also reached its target of keeping the inflation of Federal Employees' Compensation Act (FECA) medical costs below the Nation's rate of healthcare inflation (according to the Milliman USA Health Cost Index, which is updated quarterly). FECA experienced a medical cost inflation of 2.4 percent, while the Milliman Index predicts a national rate of healthcare inflation of 8.8 percent. Responding to recent medical care cost increases, in August 2003 FECA converted medical bill processing from district offices to a centralized operation under contract to Lockheed Martin. More stringent bill reviews under this system are expected to further reduce average FECA medical costs.

[16] In FY 2004, OWCP changed the way it measures LPD, and thereby changed its FY 2003 baseline data for the USPS and all other government agencies' lost production days rate measures. LPD's are now measured in real-time rather than with accumulated data, as they were in the past. Please see Appendix 1 for the changes to the baseline data.

Customer Service
OWCP reached four of the five sub-targets to improve communications with benefit recipients, including increased use of electronic services, reducing average caller wait times, increasing response timeliness and resolving more inquiries without call-back. OWCP did not reach the communications sub-target for handling calls according to program quality standards. OWCP also reached its target to reduce the time required to resolve disputed issues in Longshore and Harbor Workers' Program contested cases. Disputed issues were resolved, on average, in 247 days. The target was 273 days. Further, OWCP reached its target to reduce requests for further action following Black Lung benefit eligibility decisions (for claims subject to revised regulations). Performance for this indicator was 82.2 percent, against a target 74.5 percent. DOL also reached its Energy program targets for initial claims processing and for reaching a final decision. This program processed 92 percent of initial claims and 99 percent of final decisions within standard time frames, against targets of 77 percent for both indicators.

For FY 2005, OWCP will have a more ambitious target for communications with customers: reaching four of the five sub-targets. Strategies are in place to improve communications with customers through greater Internet access for claims purposes. The indicator for timely Longshore and Harbor Worker's dispute resolution is intended to measure OWCP's success in serving as mediator injured workers and their employers. To continue the positive trend in this indicator, OWCP will provide claims staff with further training to improve mediation skills.

The revised regulations for Black Lung benefit claims did not change eligibility requirements, but were designed to produce faster and fairer final benefit determinations. The result has been an increase in the number of stakeholders who accept the district director's initial decision and decide not to pursue the claim further. The Energy Program's success in efficient initial claims processing and final decisions results from attention to customer communications, accurate claims processing, and automated data processing. We are committed to improving the employment verification process by obtaining access to former worker program records, sharing more data for dual claims and enhancing working relationships with DOE facility contacts. Based on performance that far exceeded targets, the Energy Program has set more ambitious targets of seven percent increases for both indicators in FY 2005.

Management Issues
Performance data used for OWCP's indicators are extracted from the four benefit programs' automated case management systems, benefit payment systems, internal managerial audits or other reviews. OWCP maintains strict management oversight of data entry, including regular on-site review by district directors to ensure accuracy, and periodic reviews that sample and assess data quality and accuracy.

A FY 2003 Office of Inspector General financial audit found ineffective medical evidence controls (Study 4 in Appendix 2). To remedy this, in December 2004 DOL will begin using an automated tracking mechanism that will alert claims staff when medical evaluations are due. ICF Consulting recently completed a broad review of the FECA program's effectiveness (Study 18 in Appendix 2). OWCP is currently reviewing its recommendations. Provisions which create disincentives for returning to work as opposed to remaining on full disability are built into the Federal Employees' Compensation Act, which has not been significantly amended in 30 years. DOL has developed a legislative proposal which would reform these provisions.

The number of Defense Base Act Longshore claims from injured civilian contractors in Iraq and Afghanistan is increasing, and this trend is projected to continue. There is also a potentially very large pool of Iraqi civilians employed by American contractors who may not be reporting injuries or may not be aware they are entitled to coverage. Should this group begin to file claims, Longshore cases could increase dramatically.

Provide Timely and Responsive Services to Customers

Performance Goal 2.2D (PBGC) – FY 2004

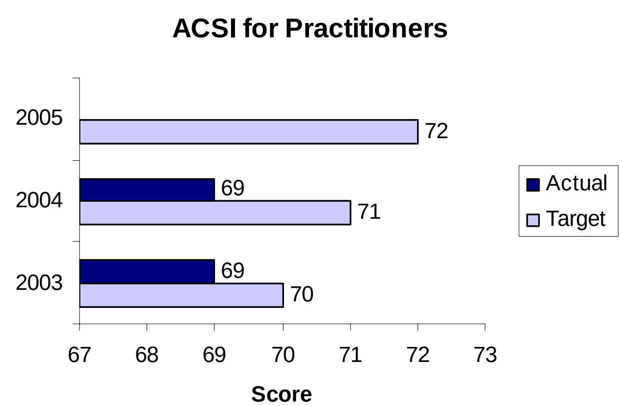
PBGC will improve customer satisfaction according to the American Customer Satisfaction Index (ACSI).

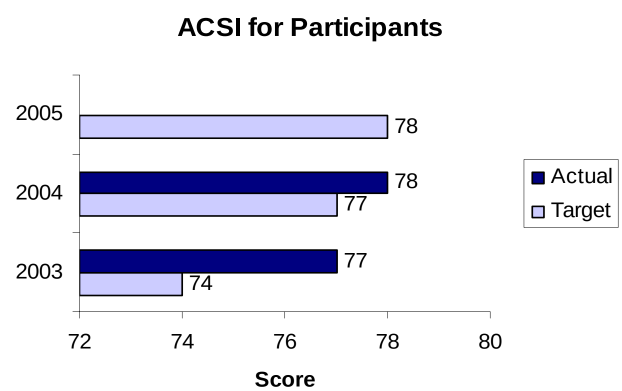
Indicators
Achieve an ACSI of 71 for sponsors of covered pension plans who have contacted PBGC for assistance

Achieve an ACSI of 77 for participants in trusteed plans who have contacted PBGC for assistance

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

Results, Analysis and Future Plans
PBGC did not achieve this goal. The overall rating for practitioners remained at 69 – only slightly lower than the national ACSI of 71 for the Federal government as a whole, and higher than other agencies with similar financial collection responsibilities. Although practitioners are generally satisfied with many aspects of the service they receive, PBGC has identified several opportunities for improvement: improve written communication and handling of calls; and simplify the premium payment form and promote use of e-filing. Some of these efforts are underway and others will get started in 2005. PBGC achieved an ACSI score of 78 for participants in trusteed plans, exceeding the target of 77. This is one point higher than the 2003 score of 77 and seven points higher than the current national ACSI of 71 for the Federal government.





Overall, the scores for components that PBGC has tracked in the past three years are all performing very well. By using the ACSI, PBGC can identify the service elements that have a greater impact on customer satisfaction. For example, there is a direct correlation between satisfaction and customer complaints, meaning that as satisfaction increases, the rate of complaints would likely decrease. PBGC experienced a significant decrease in complaints in 2004 over the previous two years through improved responsiveness to customers.

Management Issues
For both indicators, data is collected by the Federal Consulting Group, a franchise of the U.S. Department of Treasury. The Federal Consulting Group uses the American Customer Satisfaction Index (ACSI) to determine the satisfaction of PBGC plan sponsors and participants. Developed by the University of Michigan, the ACSI is a national measure for customer satisfaction, and is recognized as a credible and valid independent, third party measure. As mentioned above, PBGC continues to face an unprecedented influx of terminated plans. Meanwhile, participants' and practitioners' expectations for speed and accuracy of services continue to rise, specifically in the demand for electronic transactions and information.

Strategic Goal 3: Quality Workplaces

Foster Quality Workplaces that are Safe, Healthy and Fair

All workers are entitled to safe, healthy, and fair workplace environments. DOL has committed to achieving this goal by promoting work sites where safety and health hazards are minimized, and where working people have equal opportunities and are treated fairly.

Significant progress has been made in protecting workers from occupational safety and health threats. In the past thirty years, workplace fatalities have been cut in half and occupational injury and illness rates have declined forty percent. However, rapid technological advances and dynamic workplace environments have changed the nature of work, leading to new health and safety issues. DOL promotes equality and fair play through its administration of anti-discrimination and equal employment opportunity regulations that deal with Federal contracting practices, jobs and training services for disabled workers, and the employment/reemployment rights of veterans. DOL has also recognized and addressed the increasing importance of ensuring respect for internationally recognized core labor standards.

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

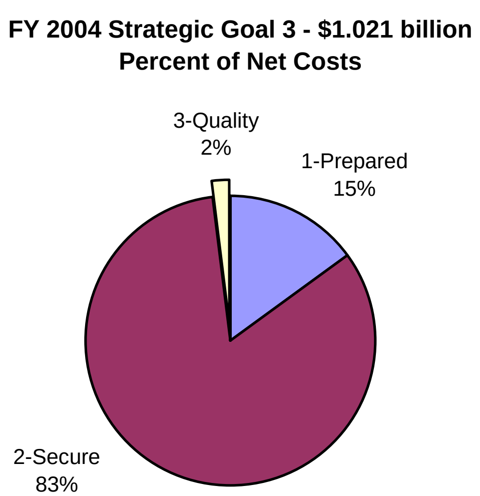
The Department's performance in achieving this goal is determined by accomplishments organized at the outcome goal level and measured at the performance goal level. Three broad objectives – Outcome Goals 3.1, 3.2 and 3.3 – support Strategic Goal 3, and they contain eleven performance goals (see table below). In FY 2004, the Department achieved eight of these goals, and in so doing marked the following improvements in working conditions: mining fatality incidence and the all-injury incidence were the lowest recorded in MSHA's history; occupational fatalities were the lowest ever recorded by the fatality census; evaluated Federal contractors' compliance with non-discrimination laws exceeded 90 percent; and, in developing countries, DOL-funded programs protected thousands more children from exploitive labor and introduced HIV/AIDS workplace education

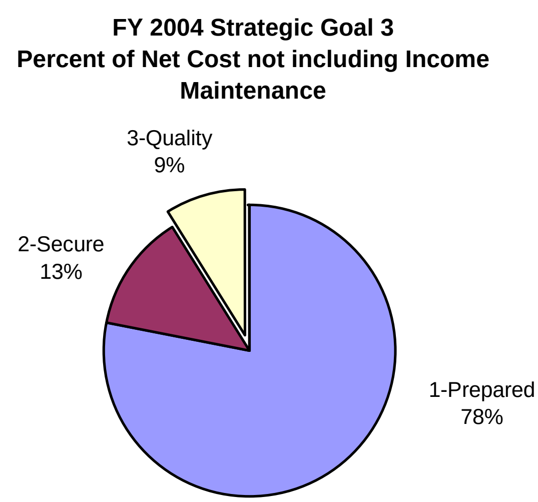
Outcome Goal 3.1 − Reduce Workplace Injuries, Illnesses, and Fatalities 3 performance goals achieved & 3 not achieved[17]	
MSHA fatality and injury reduction (3.1A) – not achieved	According to estimates using data through the third quarter, MSHA reached its fatality incidence rate target, but did not reach its injury incidence rate target. However, both the fatal incidence rate and the all-injury incidence rate are the lowest recorded in MSHA's history.
MSHA dust and noise reduction (3.1B) – achieved	According to estimates using data through the third quarter, MSHA reached targets for reductions in coal dust, silica dust and noise overexposures.
OSHA occupational fatality reduction (3.1C) – not achieved	OSHA did not reach its workplace fatality reduction target. Workplace fatalities increased slightly to 1.67 (per 100,000 workers) from the baseline of 1.62.
OSHA occupational injury and illness reduction (3.1D) – achieved in 2003 and 2004, not achieved in 2002	In both FY 2003 and FY 2004, OSHA reached its targeted reductions in the rate of days away from work resulting from workplace injuries. In FY 2002, OSHA did not reach its target to reduce illnesses and injuries by ten percent over the previous year's rate in four high hazard industries.

[17] OSHA is reporting on three years' performance for its occupational injury and illness goal, 3.1D. Results are combined in this table.

Outcome Goal 3.2 – Foster Equal Opportunity Workplaces 3 performance goals achieved	
ESA Federal contractors' compliance with equal opportunity laws (3.2A) – achieved	Both targets were reached. Incidence of discrimination among evaluated contractors was well below target and compliance with all other equal opportunity workplace standards was 91 percent - 30 percentage points above target.
OASAM non-discrimination in WIA programs (3.2B) – achieved	All three targets were reached. State and local workforce agencies areas have implemented policies and procedures to provide universal access to their customer population, including those with disabilities.
VETS reduce service members' reemployment issues (3.2C) – achieved	The lone target was reached. Four key problem areas with the greatest potential for reduction of complaints were identified.
Outcome Goal 3.3 – Reduce Exploitation of Child Labor, Protect the Basic Rights of Workers, and Strengthen Labor Markets 2 performance goals achieved	
ILAB eliminate worst forms of child labor internationally (3.3A) – achieved	ILAB reached all four of its targets, which included the prevention or withdrawal of more than 80,000 children from exploitive child labor.
ILAB improve work conditions internationally (3.3B) – achieved	ILAB reached all five of its targets, which included initiating workplace education projects in eight countries.

The following charts illustrate DOL's strategic goal net costs in FY 2004, with *Quality Workplaces* shares set apart. The first allocates total Departmental costs of $56.676 billion; the second allocates an adjusted net cost of $11.102 billion that excludes major non-discretionary items associated with Strategic Goal 2.[18] Net costs of this goal in FY 2003 were $0.992 billion.





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

[18] The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment ($41.424 billion) plus disability benefit payments to individuals who suffered injury or illness on the job ($4.150 billion).

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

The Department strives to help make American workplaces the safest in the world. Through the efforts of the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA), the Department has sought to instill a commitment to workplace safety and health in both employers and the public at large.

These two DOL agencies are changing their relationships with employers for the better. Building on a foundation of strong and fair enforcement, OSHA and MSHA also provide employers with outreach, education and compliance assistance, as well as opportunities to join with them in partnerships and other cooperative programs. Additionally, they have increased the availability of compliance assistance. OSHA has deployed compliance assistance specialists in every area office and funded free onsite consultation to small businesses in every state. More compliance assistance resources are available from OSHA than ever before, including a toll-free compliance assistance telephone line, training courses, and an award-winning website that includes safety and health information bulletins, interactive software packages and two new features that allow visitors to personalize the site and navigate more easily.

MSHA now conducts mine inspections with a focus on improving performance and the availability of assistance from training specialists and technical support personnel to the mining industry. MSHA has achieved success through developing strategic partnerships with unions, associations, and State governments. These partnerships foster the sharing of expertise and best practices between MSHA, states, safety professionals, and mine operators. Nationwide, mine operators and miners are provided with compliance assistance, accident reduction, and hazard recognition training materials during the course of MSHA's regular inspections. In addition to onsite compliance assistance, web-based compliance assistance tools are continually being developed and enhanced.

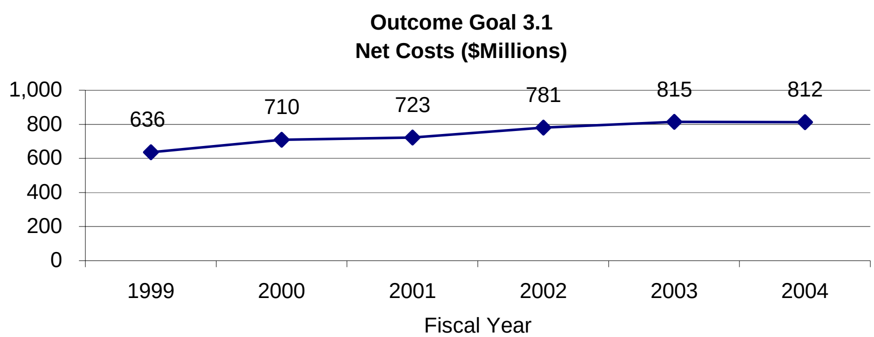
DOL's workplace safety and health agencies continually improve internal efficiency and effectiveness through strategic planning that addresses safety challenges of the 21st century workplace. Both agencies have five-year strategic plans that institutionalize the methods and processes they will use to move toward further reductions in workplace injuries, illnesses and fatalities. Part of their planning is to determine which strategies lead to the biggest return on investment to better focus their efforts and their resources.

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

Goal (Agency) – Period **Goal Statement [Achievement]**	**Performance Summary**
3.1A (MSHA) – FY 2004 Reduce the mine industry fatal injury incidence rate by 15% from the FY 2003 baseline by FY 2008, and reduce the mine industry all-injury incidence rate 50% below the FY 2000 baseline by FY 2008. **[Not Achieved]**	According to estimates using data through the third quarter, MSHA reached its fatality incidence rate target, but did not reach its injury incidence rate target. However, both the fatal incidence rate and the all-injury incidence rate are the lowest recorded in MSHA's history.

Goal (Agency) – Period Goal Statement [Achievement]	Performance Summary
3.1B (MSHA) – FY 2004 Reduce respirable coal dust, silica dust, and noise exposures: • Reduce the percentage of respirable coal dust samples exceeding the applicable standards by 5% for designated occupations; • Reduce the percentage of silica dust samples in metal and nonmetal mines exceeding the applicable standards by 5% for high-risk occupations; • Reduce the percentage of noise exposures above the citation level in all mines by 5%. **[Achieved]**	According to estimates using data through the third quarter, MSHA reached targets for reductions in coal dust, silica dust and noise overexposures.
3.1C (OSHA) – FY 2004 Reduce occupational fatalities by 3% from the FY 2000-2002 baseline. **[Not Achieved]**	OSHA did not reach its workplace fatality reduction target. Workplace fatalities increased slightly to 1.67 (per 100,000 workers) from the baseline of 1.62. This amounts to an increase of one fatality for every two million workers.
3.1D (OSHA) – FY 2004 Reduce occupational injuries and illnesses Reduce the days away from work case rate per 100 workers by 4% from CY 2000 baseline. **[Achieved]**	OSHA reached its target of a four percent reduction (from CY 2000 baseline) in the days away from work resulting from a workplace injury, by achieving an 11 percent reduction.
3.1D (OSHA) – FY 2003 Reduce the days away from work case rate per 100 workers by 2% from CY 2000 baseline. **[Achieved]**	OSHA reached its target of a two percent reduction (from CY 2000 baseline) in the days away from work resulting from a workplace injury, by achieving a 5.6 percent reduction.
3.1D (OSHA) – FY 2002 Reduce injuries and illnesses by 10 % annually in four industries characterized by high hazard workplaces. **[Not Achieved]**	OSHA did not reach its target to reduce illnesses and injuries by ten percent over the previous year's rate in four high hazard industries: nursing homes, shipyards, meat products and construction. The injury and illness rate increased in nursing homes and shipyards and decreased in the meat products and construction industries.

Net Cost of Programs
FY 2004 program costs of $812 million supported OSHA and MSHA programs to reduce worker fatalities, injuries, and illnesses, including the Department's expanded and enhanced efforts in compliance assistance. These program costs represent a slight $3 million decline from FY 2003 costs of $815 million.

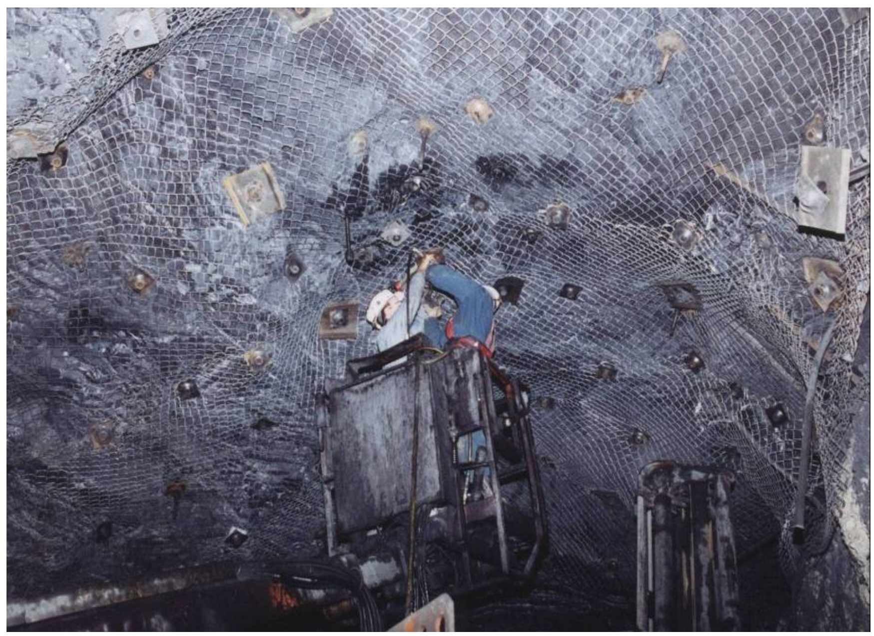


Results Summary
Of the six goals presented in Outcome Goal 3.1—Reduce Workplace Injuries, Illnesses, and Fatalities, three goals were achieved and three goals were not achieved.

In the mining industry, under the mandate of the Mine Safety and Health Act, the fatality and all-injury safety goal was not achieved based on FY 2004 third quarter data. While the fatality incidence rate of .0163 per 200,000 work hours reached the 3.1 percent reduction target, the all-injury incidence rate result of 3.97 per 200,000 work hours did not meet the 23.7 percent reduction target. The mining health goal to reduce exposures to coal dust, silica dust, and noise was achieved. Coal dust overexposures were reduced to 10.5 percent, silica dust overexposures were reduced to 5.9 percent, and noise overexposures were reduced to 4.2 percent.

For those sectors under the Occupational Safety and Health Act, the fatality rate of 1.67 fatalities per 100,000 employees did not meet the target rate of 1.57. The results of the goal to reduce occupational injury and illness rates that cover three reporting years are presented concurrently in this report due to a data lag. For FY 2004 the goal was met with a result of an 11.1 percent rate reduction vs. the target of four percent. The FY 2003 the rate reduction of 5.6 percent also exceeded the target of two percent. The FY 2002 goal to reduce injuries and illnesses by ten percent from the previous year's rate in four industries characterized by high hazard workplaces was not achieved.

Historically, one of the leading causes of mining fatalities has roof falls in underground mines, particularly coal mines. Today, better methods of controlling mine roofs protect miners from the hazard of falling rock. MSHA's Office of Technical Support provides a service to mine safety and health by evaluating and testing myriad mining equipment and products, including roof support systems, for use in underground mines. The two engineers shown in the photo – Raymond on the left and Michael on the right – test roof bolts in actual mining conditions to ensure these devices will actually protect working miners. Securing the roof has been and continues to be one of the most important precautions that MSHA looks for in underground mine inspections.
Photo credit: Paul Tyrna



Future Challenges
Understanding and addressing workplace demographic trends is a key element in the Department's efforts to improve the safety and health of the American workforce. An increasing share of the workforce is now made up of youthful (16 to 24 year-old) and older (55 and over) workers, with the proportion of older workers growing the fastest. Immigrant, non-English speakers, and other "hard-to-reach" workers and employers are becoming more prevalent. This means that the Department must continue to seek out enforcement, training and delivery systems different from those relied upon in the past.

The Department is also continuing to focus on the most hazardous industries and occupations and to identify emerging safety and health issues. For example, construction and small metal and nonmetal mines have a disproportionate rate of accidents and fatalities and new fibers and ultra-fine particulates need to be monitored for their health risks. To meet current and future challenges, OSHA and MSHA are looking to increase their outreach, assistance, and cooperative programs so that voluntary compliance backed up by strong and fair enforcement ensure that each worker returns home safe and healthy at the end of the work day.

Reduce Mine Fatalities and Injuries

Performance Goal 3.1A (MSHA) – FY 2004

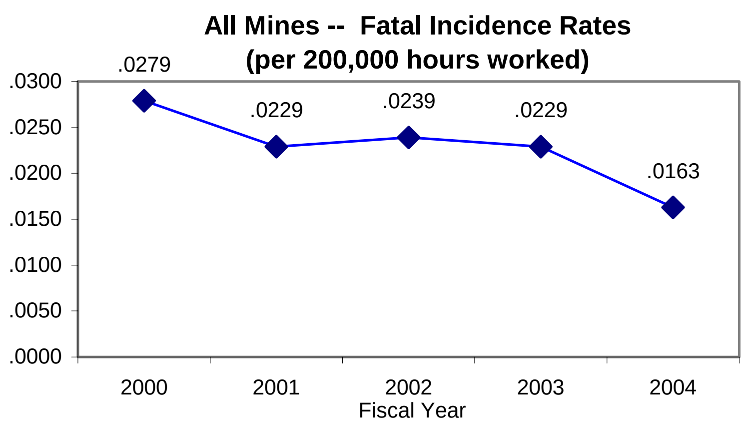
Reduce the mine industry fatal injury incidence rate by 15% from the FY 2003 baseline by FY 2008, and reduce the mine industry all-injury incidence rate 50% below the FY 2000 baseline by FY 2008.

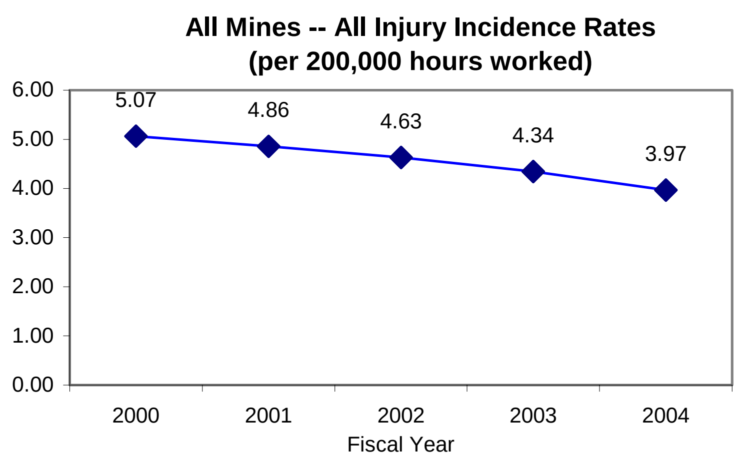
Indicators
Reduce by 3.2% the fatal incidence rate; and

Reduce by 24.2% the all-injury incidence rate.

Program Perspective
The mission of the Mine Safety and Health Administration (MSHA) is to protect the safety and health of our Nation's miners in accordance with the Federal Mine Safety and Health Act of 1977. Through an effective blend of enforcement, technical support, education, compliance assistance, and partnerships with the mining community, mining has reduced fatalities and injury rates for the third straight year. Although the trend has been declining, the rates remain unacceptably high. MSHA's aggressive long-term targeted incidence rate reductions from recent historical lows reflect a commitment to sending healthy miners home healthy....every shift, every day.

Results, Analysis and Future Plans





The goal was not achieved, according to estimates using data through the third quarter.[19] DOL reached its fatality incidence rate target. The fatality incidence rate decreased by 28.8 percent (from .0229 to .0163), against a target of a 3.1 percent decrease (to .0222). DOL did not reach its injury incidence rate target. The injury incidence rate has decreased by 22.7 percent to 3.97 (from the FY 2000 baseline of 5.07), against a target of a 24.1 percent decrease (to 3.85).

Through the third quarter of FY 2004, accidents in the Nation's mines claimed the lives of 35 workers – 17 coal miners and 18 metal/nonmetal miners. In addition, there were 3,644 injuries in coal mines and 4,889 injuries in metal/nonmetal mines. In terms of overall injury rates, both the fatal incidence rate of .0163 and the all-injury incidence rate of 3.97 are the lowest recorded in MSHA history. Similarly, both coal and metal/nonmetal fatality and injury rates reached historic lows.

MSHA's program strategies for FY 2005 should be viewed within the context of the aggressive nature of our goals and record-setting lows for mining deaths and injuries in both FY 2003 and FY 2004. Therefore, MSHA's

[19] Performance results for this goal are estimated. The estimating methodology has been reviewed by the Department of Labor's Office of Inspector General. The actual performance results for this goal will be published in the FY 2006 Budget.

strategies going forward will be a continuation of what has been successful while taking advantage of new opportunities to build upon past success.

Key to further reductions in deaths and injuries will be continued work with the mining industry and safety organizations. In this regard, MSHA will continue to leverage and extend its strategic partnerships. For example, in FY 2004 MSHA signed two more Alliance Agreements - with the International Union of Operating Engineers and with the International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers. The purpose of these agreements is to promote the sharing of expertise and best practices between MSHA, safety professionals, and mine operators to foster a culture of accident prevention where safety is embraced as a value.

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

Efforts to improve safety and health for the nation's 350,000 miners include not only mine inspections but a variety of MSHA initiatives and programs. That agenda is carried out primarily by the agency's district managers who are strategically located in district offices throughout the nation's mining regions. Cheryl , an MSHA District Manager, administers coal mine safety and health improvement efforts for a large area of southern Pennsylvania. She and her 109 colleagues in the New Stanton office helped reduce fatalities and injuries over the last year. Pennsylvania had four fatalities in 2001 and in 2002; Cheryl and her staff helped limit fatalities to one during 2003 – a valuable contribution to MSHA's fatality incidence reduction goal.
Photo credit: Shawn T. Moore

Management Issues

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

Going forward, high costs and limited supplies of oil and natural gas into the foreseeable future will result in a higher demand for coal mining. Higher coal prices and increased profit margins will push operators to begin new, expand, or resume mining operations and lead to competitive pressures to increase production while containing costs, including those costs associated with mine safety. Mines also face an aging workforce and replacement of skilled workers with inexperienced workers who are at higher risk of having accidents that cause injury.

During FY 2004, the General Accounting Office issued its report *MSHA Devotes Substantial Effort to Ensuring the Safety and Health of Coal Miners, but Its Programs Could Be Strengthened* (Study 12 in Appendix 2), which comprised a programmatic review of certain MSHA operations and recommendations to improve program performance. Also, the Office of Management and Budget (OMB) conducted a Program Assessment Rating Tool (PART) review of MSHA in conjunction with the FY 2005 budget. MSHA received a rating of Adequate.

Reduce Miners' Exposure to Health Hazards

Performance Goal 3.1B (MSHA) – FY 2004

Reduce respirable coal dust, silica dust, and noise exposures

Indicators
Reduce the percentage of respirable coal dust samples exceeding the applicable standards by 5% for designated occupations;

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

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

Program Perspective
In accordance with the Federal Mine and Safety Act of 1977, DOL's Mine Safety and Health Administration (MSHA), through safety and health enforcement and compliance assistance, and in partnership with the mining community, works to reduce occupational illnesses and health hazards among our Nation's miners.

Major health hazards to miners include black lung disease, and silicosis. These are disabling and eventually fatal respiratory diseases caused by exposure to excessive amounts of respirable coal and silica dust. In addition, noise exposure above regulatory standards can cause permanent hearing loss. Although the incidence of black lung and silicosis disease has declined over the years, the elimination of black lung disease, silicosis, and hearing loss remains a Departmental priority. Because these conditions develop gradually after repeated exposures, determining the rate at which miners are overexposed to coal dust, silica dust, and noise is a proxy measure of future miner health. Reducing miner overexposures therefore contributes to MSHA's longer term objective of a reducing the incidence of black lung disease, silicosis and hearing loss.

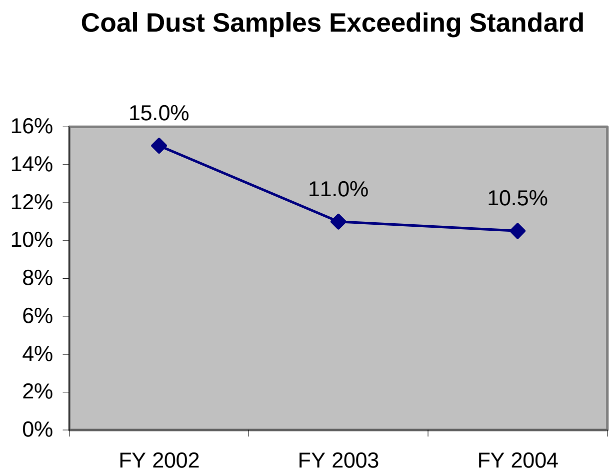
In developing this goal, MSHA targeted five percent annual reductions of overexposures. Experience has shown that these five percent reductions per year, from historical baselines, were not aggressive enough – and MSHA plans to update baselines in future years so that a five percent target is appropriately ambitious.

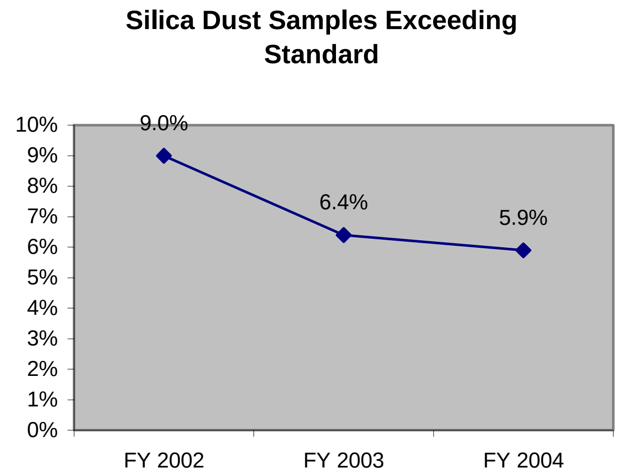
Recognition of good work is positive motivation. It's one of the concepts MSHA uses to promote good safety and health practices throughout the American mining industry. MSHA officials seek to recognize mining operations like Yavapai Materials, a sand and gravel mining operation situated in the Fort McDowell Yavapai Nation. Yavapai Materials logged 58,000 employee hours without a single lost-time accident. That was three years without an injury on the job! Obviously, this company employs both good workers and good safety habits—so good that they were asked to provide a program of "Best Practices" for neighboring mining operations. MSHA's Assistant Secretary David Lauriski (center) took time to go out to the Yavapai operation to congratulate Steven, general manager of Yavapai Materials (left) and President Raphael Bear (right), President of Fort McDowell Yavapai Nation, and personally tell them what a good job they've done for themselves and for the mining industry. Good safety practices being shared among neighboring mining operations—another innovative way to reduce mining fatalities and injuries in the nation's mining operations.

Results, Analysis and Future Plans

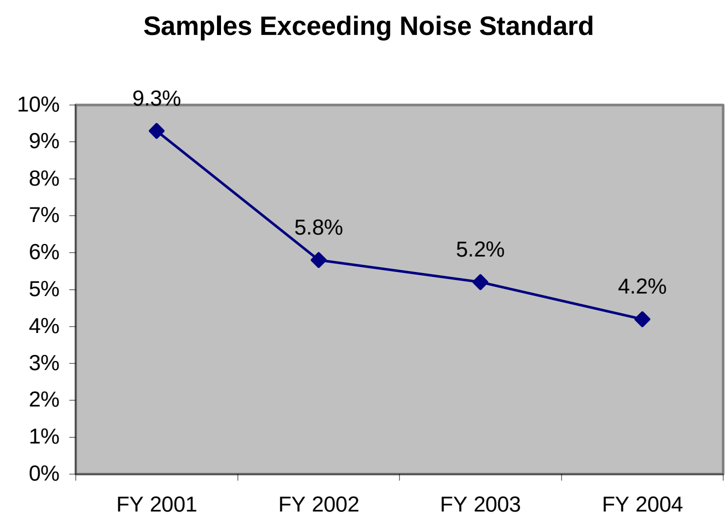
The goal was achieved, according to estimates using data through the third quarter.

- For coal dust, sample overexposures were reduced to 10.5 percent, a reduction of five percent from the prior year, and a 30 percent improvement from the FY 2002 baseline.
- For silica dust, sample overexposures were reduced to 5.9 percent, a reduction of eight percent from the prior year, and a 34 percent improvement from the FY 2002 baseline.
- For noise, sample overexposures were reduced to 4.2 percent, a reduction of 19 percent from the prior year, and a 55 percent improvement from the FY 2000-2001 baseline.





As discussed above, results for all indicators have greatly exceeded MSHA's expectations over the last two years for coal and silica dust and over the last three years for noise. To establish more ambitious targets, new baselines will be developed for use in FY 2005. While targeted reductions for overexposures will remain at five percent, new baselines will incorporate the substantial reductions in overexposures already achieved. In addition, MSHA will review sampling procedures to ensure that the samples taken by inspectors are commensurate with ongoing mining activity where miners are normally at highest risk of overexposure.



Management Issues

MSHA safety and health compliance specialists conduct dust and noise samples following well established procedures. A quality control process and edit checks assure the accuracy and reliability of performance data. Going forward, high costs and limited supplies of oil and natural gas into the foreseeable future will result in a higher demand for coal mining. Higher coal prices and increased profit margins will push operators to begin new, expand, or resume mining operations and lead to competitive pressures to increase production while containing costs, including those costs associated with mine safety. Mining also faces an aging workforce, and an inadequate supply of skilled workers (including an influx of immigrant workers) who are at higher risk of having accidents that cause injury.

During FY 2004, the General Accounting Office issued its report *MSHA Devotes Substantial Effort to Ensuring the Safety and Health of Coal Miners, but Its Programs Could Be Strengthened* (Study 12 in Appendix 2), which comprised a programmatic review of certain MSHA operations and recommendations to improve program performance.

Reduce Workplace Fatalities

Performance Goal 3.1C (OSHA) – FY 2004

Reduce occupational fatalities

Indicator
Reduce the rate of workplace fatalities by 3% from the baseline of 1.62[20].

Program Perspective
OSHA's mission is to assure the safety and health of America's workers by setting and enforcing standards; providing comprehensive compliance assistance, training, outreach, and education; establishing and maintaining partnerships and alliances; providing consultation services and encouraging continual improvement in workplace safety and health. OSHA and its State partners have approximately 2,100 inspectors, as well as complaint discrimination investigators, engineers, physicians, educators, standards writers, and other technical and support personnel throughout the country.

Nearly every working man and woman in the nation comes under OSHA jurisdiction (with some exceptions such as miners, transportation workers, many public employees, and the self-employed). OSHA set a challenging goal to reduce workplace fatality rates by 15 percent by 2008. OSHA selected this goal because it exceeds the previous five year fatality rate reduction, but is attainable. OSHA helps reduce on-the-job deaths by intervening at the workplaces where it has evidence that fatalities are most likely to occur and by responding to reports about potentially life-threatening workplace hazards. OSHA uses fatality data from its Integrated Management Information System (IMIS) to track fatalities on a monthly basis, looking for emerging fatality patterns (such as trenching cave-ins) and taking corrective actions.

Results, Analysis and Future Plans
The goal was not achieved. Based on the most recent data, DOL estimates a 3.1 percent increase in the workplace fatality rate – to 1.67 from the baseline of 1.62 (per 100,000 workers).[21] This amounts to an increase of one fatality for every two million workers. The tables below show annual deaths, employment, and fatality rates for the construction industry and for all industries for the baseline years and for the current reporting period, and illustrate use of a three-year moving average of fatality rates to smooth year-to-year fluctuations.

Year (July-June)	Construction Fatalities	Construction Employment	Construction Fatality Rate	Total Fatalities	Total Employment	Total Fatality Rate
2000	736	6,704	10.98	1,729	109,989	1.57
2001	749	6,823	10.98	1,846	111,368	1.66
2002	744	6,774	10.98	1,772	109,524	1.62
2000-2002 BASELINE	NA	NA	10.98	NA	NA	1.62
2002	744	6,774	10.98	1,772	109,524	1.62
2003	741	6,692	11.07	1,828	108,519	1.68
2004	784	6,809	11.51	1,849	108,786	1.70
2002-2004 AVERAGE	NA	NA	11.19	NA	NA	1.67

[20] For this goal the baseline is the average fatality rate for July 2000 – June 2002 and the result is the average fatality rate for July 2002 – June 2004.
[21] Performance results for this goal are estimated. The estimating methodology has been reviewed by the Department of Labor's Office of Inspector General. The actual performance results for this goal will be published in the FY 2006 Budget.

Analysis of the IMIS fatality data suggests that the increase in the fatality rate since FY 2000 may reflect OSHA's improvements in managing fatality data, rather than more dangerous workplaces. In response to OSHA initiatives, some states have been entering fatality investigation information into IMIS for an increasing proportion of fatalities they inspect. This increases the count of fatalities recorded in IMIS, even though the number of inspected deaths in those states has actually decreased. In other states, where the proportion of inspected fatalities with entered fatality investigation forms has remained consistent, the fatality rate actually declined every year between FY 2000 and FY 2004.

OSHA is implementing aggressive strategies aimed at preventing future fatalities and achieving the goal of a 15% reduction by 2008. The construction fatality rate is more than five times the total fatality rate. OSHA is addressing the growth in the construction field of immigrant and non-English speaking workers; and hard-to-reach workers. Emerging issues include fall hazards from wireless communications and HDTV tower construction, noise in construction, and the expanding population of mobile workers. To achieve the targeted reductions in fatalities, OSHA will adopt a dynamic approach to identifying and targeting sectors and hazards that require interventions. For example, OSHA's Construction Directorate analyzed fatalities involving cranes, falls from roofs and trenching. The Construction Directorate plans to share their findings with the construction industry to assist construction managers and others in identifying and abating potentially fatal situations. The Agency is also identifying more effective ways of reaching those construction sites that are likely to have the most hazardous conditions. OSHA will take this information to circulate a new construction safety standard for construction cranes and derricks.

OSHA plans to develop Local Emphasis Programs that focus on hazards and industries in specific geographic locations. These programs will focus on hazards such as falls and industries such as tower erection and oil and gas well drilling. OSHA will continue to implement the Enhanced Enforcement Program, which focuses on those employers who have demonstrated a significant disregard for their legal obligation to maintain safe workplaces. This program includes follow-up inspections, targeted inspections, increased corporate awareness of OSHA enforcement, enhanced settlement provisions, and Federal court enforcement under section 11(b) of the Occupational Safety and Health Act.

This unsafe trench has the potential to cause broken bones and severe lacerations from slips, trips, and falls and serious injuries or even death from being crushed or suffocated in a cave-in. In addition to enforcing the regulation on trenching, OSHA reaches out to employers to prevent trenching hazards. OSHA conducts outreach programs to local governments who contract for much of the trenching work in this country. OSHA is working to elicit the cooperation of various stakeholders, including the Associated General Contractors of America, the Building and Construction Trades Department of the American Federation of Labor-Congress of Industrial Organizations, the National Utility Contractors Association, and the Associated Builders and Contractors to develop an industry-wide trenching safety program. OSHA is also developing training and education materials in English and Spanish for workers involved in trenching and excavation, including Pocket Guides, Quick Cards, posters, and a handbook.
Photo credit: OSHA

Management Issues
OSHA estimates achievement for this goal using data from July of the previous fiscal year to June of the current fiscal year. The Agency relies on its IMIS fatality data rather than the data from the Bureau of Labor Statistics (BLS) because of the one-year lag in BLS Census of Fatal Occupational Injuries data. However, the trends shown

in the BLS data resemble those of the IMIS data. OSHA is exploring changing the denominator (BLS Current Employment Survey) used to calculate the fatality rate to be more representative of the actual population that it regulates. OSHA IMIS data undergo quality control and edit checking. External risks to accomplishment of this goal include natural disasters (e.g., hurricanes and snow storms) and non-work related deaths that occur on the job. Internal risks to the attainment of this goal include OSHA's ability to obtain and use current injury and illness data to plan strategies and intervene effectively.

In response to a March 2004 GAO report, *OSHA's Voluntary Compliance Strategies Show Promising Results, but Should be Evaluated before they are Expanded* (Study 13 in Appendix 2), which recommended that OSHA identify cost-effective methods of assessing the effectiveness of its voluntary compliance programs, OSHA is planning to analyze injury and illness data from its VPP sites for the application processing period.

During FY 2004, GAO also issued reports recommending that OSHA ensure that its area offices follow prescribed policies for complaint handling, civil penalty determination and violation abatement (See Studies 14 and 15 in Appendix 2). OSHA is taking action to ensure that its area offices comply with such policies.

OSHA was redesigning its IMIS, but suspended further work and contracted for an independent assessment of the redesign activities pursuant to recommendations regarding the IMIS redesign efforts in a September 2004 DOL Office of Inspector General (OIG) audit report, *OSHA's Future System Development Efforts Require Greater Use of Best Practices* (Study 7 in Appendix 2).

The Administration conducted a Program Assessment Rating Tool (PART) review of OSHA for the FY 2004 President's Budget. OSHA received a rating of Adequate. Through the OSHA Executive Board, the agency is outlining its annual activity plans, including program evaluation, to address the PART recommendation that OSHA develop a plan to evaluate the results and cost-effectiveness of regulatory and non-regulatory programs.

Reduce Workplace Injuries and Illnesses

Performance Goal 3.1D (OSHA) – FY 2002 - 2004

Reduce occupational injuries and illnesses

Indicator
FY 2004: Reduce the days away from work case rate per 100 workers by 4% from CY 2000 baseline.
FY 2003: Reduce the days away from work case rate per 100 workers by 2% from CY 2000 baseline.
FY 2002: Reduce injuries and illnesses by 10 % annually in four industries characterized by high hazard workplaces.

Program Perspective
OSHA is committed to working with employers and employees to reduce the days away from work case rate by 20 percent by FY 2008. OSHA selected this target because it exceeded the previous five year injury and illness rate reductions, yet top managers determined that it would be attainable if the Agency successfully implemented its goal achievement strategies. Strategies for achieving these goals include a balanced use of strong, fair and effective enforcement, outreach, education and compliance assistance, free and confidential consultation services in all states and partnerships and cooperative programs. OSHA managers track Federal inspection activity, number of consultation visits, new participants in Federal Recognition Programs, and new participants in Strategic Partnerships and Alliances.

OSHA's Construction Safety and Health Outreach Program provides online compliance assistance summaries of various OSHA Construction standards, including Welding and Cutting. This outreach document is available on the web (http://www.osha.gov/doc/outreachtraining/outreachtraining.html) and it explains the provisions of the OSHA Welding and Cutting standards in easy to understand language.
Photo credit: OSHA

Results, Analysis and Future Plans
This section includes reporting for 2002, 2003 and 2004 injury and illness performance data. OSHA is reporting on 2002 data that were not previously available. Also, in this section, OSHA provides estimates for 2003 and 2004 performance that were necessitated because of the new annual reporting schedule.[22]

FY 2003-2004
The indicator for both years was percent change in the days away from work case rate per 100 workers. Targets were a two percent decline from the CY 2000 baseline in FY 2003 and four percent in FY 2004.

FY 2004 Results: The goal was achieved. The days away from work case rate declined 11.1 percent from the baseline, compared to the four percent target. OSHA estimated this goal by comparing data from CY 2002, which BLS published in December 2003, with a CY 2000 baseline.

FY 2003 Results: The goal was achieved. The days away from work case rate declined 5.6 percent from the baseline. OSHA estimated this goal by comparing data from CY 2001, which BLS published in December 2002, with a CY 2000 baseline.

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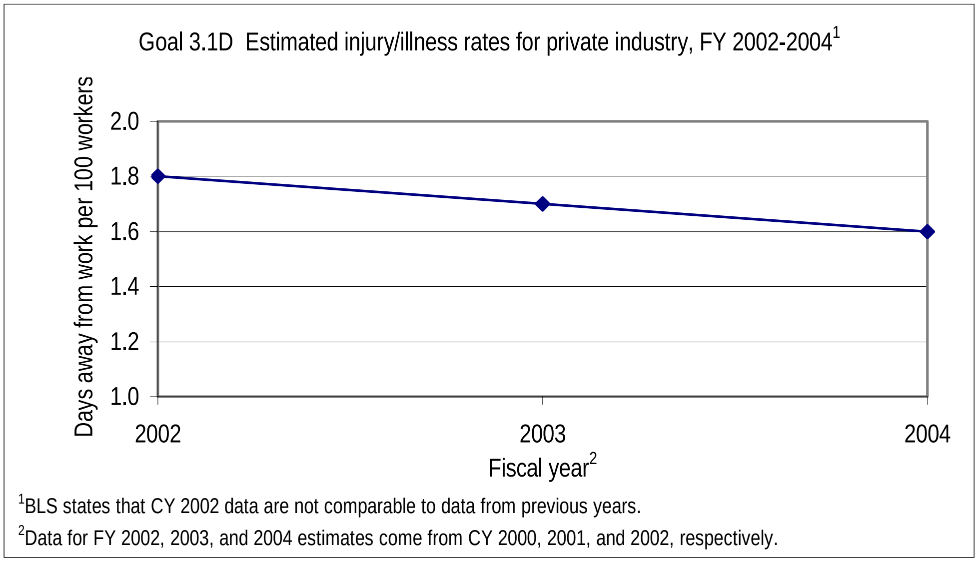
[22] The estimating methodology has been reviewed by the Department of Labor's Office of Inspector General. The actual performance results for this goal will be published in the FY 2006 Budget.

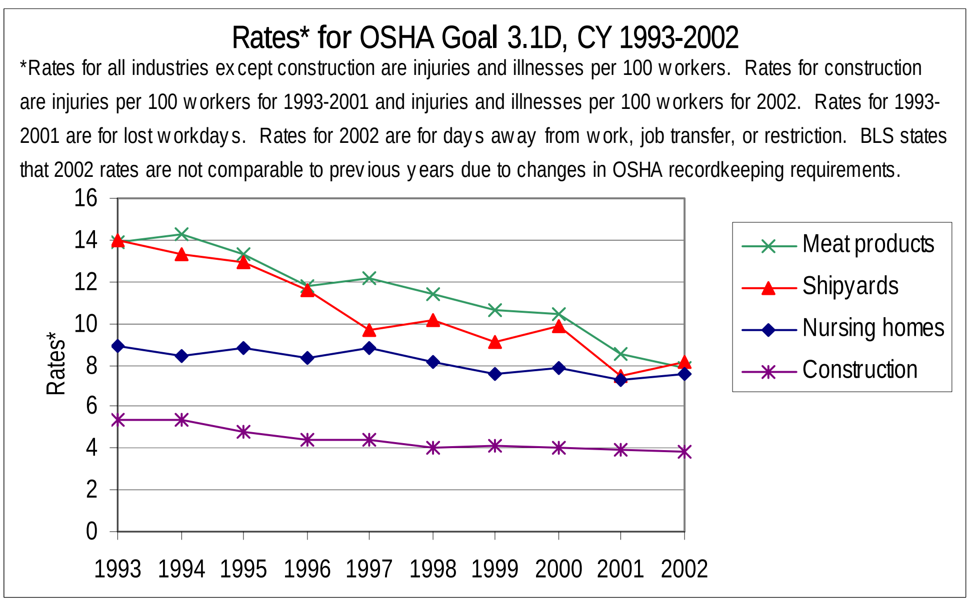


FY 2002

Indicator: Reduce injuries and illnesses per 100 workers in four industries (shipyards, meat products, nursing homes, and construction) characterized by high hazard workplaces.

Target: Ten percent decline from previous year.

Results: The goal was not achieved. The chart below indicates that the nursing homes and shipyards industries experienced increases in their rates of injuries and illnesses of four percent and eight percent, respectively. The meat products and construction industries decreased their rates of injuries and illnesses by seven percent and five percent, respectively. This goal was not previously reported because of the lag time in Bureau of Labor Statistics data availability. This goal was a true "stretch" goal with a higher target (ten percent reduction in one year) than had ever been attempted previously**.** The rates are estimates because CY 2002 data are not comparable to previous years, due to changes in recordkeeping requirements that were not anticipated when this goal was developed in 1997.



Contributing to success to date are OSHA's cooperative programs, such as the Voluntary Protection Programs (VPP). For example, recently the International Paper Company compared 50 of its VPP sites with 124 of its sites that were not in the VPP. International Paper's VPP sites had a two-year lost workday incident rate that was 48 percent lower than the non-VPP sites and workers' compensation costs that were 58 percent lower than the non-VPP site. International Paper estimated that if their non-VPP sites had performed as well as their VPP sites for the two years studied, they would have saved over $16 million in workers' compensation costs. Through 2008, OSHA will focus these efforts on decreasing the days away from work (case rate per 100 workers).

OSHA Compliance Assistance Specialists (CASs), such as the one pictured below, respond to requests for help from a variety of groups, including small businesses, trade associations, union locals, and community and faith-based groups. CASs provide information about OSHA standards and compliance assistance resources. They work with employers and workers in OSHA Strategic Partnerships. The partners identify safety and health problems to address, agree upon responsibilities, identify strategies, and set goals and performance measures to verify results. OSHA also works with employers and workers to develop Alliances, where OSHA and the participating organizations define, implement and meet a set of goals. Additionally, CASs speak at seminars, workshops, and other safety events. Each OSHA Area Office in states under Federal jurisdiction is staffed with CASs.
Photo credit: OSHA

Management Issues
The BLS data used for performance reporting on this goal provide the most comprehensive and reliable information currently available on national levels of injuries and illnesses. However, because there is a one-year lag in the availability of BLS injury and illness data, resulting in a two-year lag in reporting for this performance report, OSHA is seeking to expand the OSHA Data Initiative to collect data from Federal jurisdiction establishments in industries identified in the OSHA Strategic Management Plan. This would allow OSHA to calculate injury and illness rates for certain industries for the previous year for the GPRA report.

A study completed in July 2004, *Evaluation of OSHA's Impact on Workplace Injuries and Illnesses in Manufacturing Using Establishment-Specific Targeting of Interventions* (Study 23 in Appendix 2), showed that its targeted inspections in manufacturing produced an estimated three-year reduction in the number of Lost Workday Injury and Illness (LWDII) cases of between 12.0 and 13.8 percent. This reduction is in addition to the industry-wide declines in injury and illness rates, since the analysis controlled for these. A comparison between previous industry-level targeting and establishment-specific targeting shows that establishment-specific targeting is more effective. OSHA is seeking to build on this evaluation to find out more about optimal combinations of interventions to maximize reductions in injuries and illnesses.

In May 2004, OSHA completed *Lookback Evaluation of OSHA's Standard for Presence Sensing Device Initiation (PSDI) of Mechanical Power Presses* (Study 24 in Appendix 2). The review addressed the continued need for the standard, including whether less burdensome alternatives had been developed, the economic effects of the standard on the regulated community, and the benefits of the standard, including the impact on improved employee safety and health. OSHA concluded that if the benefits OSHA sought in the PSDI standard are to be gained (i.e., improved worker safety and employer productivity), the standard needs to be changed.
OSHA has decided to update its Mechanical Power Presses Standard to the most current version of the industry consensus standard or something similar.

Several other studies performed by the U.S. Government Accountability Office and DOL's Office of Inspector General, as well as the Administration's Program Assessment Rating Tool (PART) review of OSHA, are briefly summarized in this section of the narrative for Performance Goal 3.1C.

Outcome Goal 3.2 – Foster Equal Opportunity Workplaces

DOL is committed to fostering workplaces that guarantee equal opportunities and fairness to working Americans. Outcome Goal 3.2 addresses the issue of ensuring equal opportunity exists within the American workplace. DOL pursues this commitment through three performance goals addressing the needs of workers and promoting equality in the workplace. The Employment Standard Administration's (ESA's) Office of Federal Contract Compliance Programs (OFCCP) administers and enforces three equal employment opportunity laws prohibiting Federal contractors from discriminating on the basis of race, color, religion, gender, national origin, disability, and protected veterans' status. By increasing equal opportunity compliance in companies doing business with the Federal government, OFCCP functions to protect the employment rights of thousands of able American workers who might otherwise be unfairly excluded from the workplace.

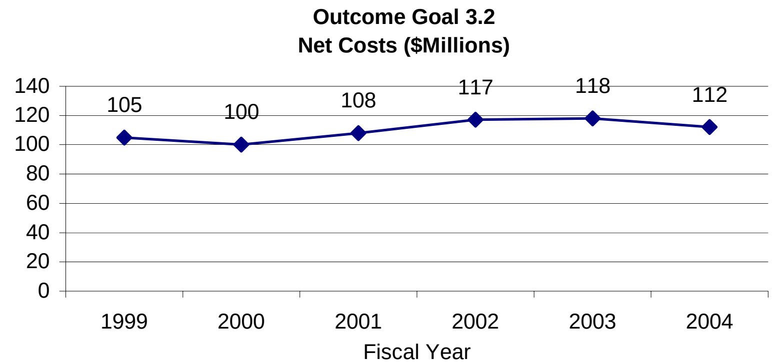
DOL also works to facilitate the transition of persons with disabilities to the workplace. Although many persons with disabilities want to work, they have often been under-represented in the workforce due to attitudinal, physical, and institutional barriers that prevent them from full participation. The Office of the Assistant Secretary and Management (OASAM) administers Workforce Investment Act (WIA) provisions requiring States to establish policies, procedures, and systems reasonably guaranteeing equal opportunity for all in the workplace.

DOL's Veterans' Employment and Training Service (VETS) protects the employment and reemployment rights of persons who are current or past members of the uniformed services, and who encounter barriers in civilian employment related to their service. The legislative authority for these rights and their corresponding protections is established by the Uniformed Services Employment and Reemployment Rights Act (USERRA). VETS investigates complaints filed by veterans who believe their rights have been violated. Recently, all three DOL programs have undertaken efforts to provide compliance assistance to employers about policies and regulations governing equal opportunity workplaces. These activities serve to inform employers about equal opportunity workplace regulations and to promote their awareness of willing and available individuals who can become valued employees.

The table below capsulizes performance goals and achievements supporting this outcome goal, and agencies responsible.

Goal (Agency) – Period **Goal Statement [Achievement]**	**Performance Summary**
3.2A (ESA) – FY 2004 Federal contractors achieve equal opportunity workplaces. **[Achieved]**	Both targets were reached. Incidence of discrimination among evaluated contractors was one percent – well below target. Compliance with all other equal opportunity workplace standards increased to 91 percent, 30 percentage points above the target.
3.2B (OASAM) – FY 2004 States that receive financial assistance under the Workforce Investment Act provide benefits and services to persons with disabilities in a non-discriminatory manner. **[Achieved]**	All three targets were reached. Most States and their local areas have established policies and procedures to provide universal access to their customer population and programmatic access to customers with disabilities.
3.2C (VETS) – FY 2004 Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment. **[Achieved]**	The target was reached. Four key problem areas with the greatest potential for reduction of complaints were identified.

Net Cost of Programs
FY 2004 program costs of $112 million supported programs to assure that Federal tax dollars are not used to discriminate in the workplace or in the availability of program services. These program costs represent a slight $6 million decline from FY 2003 costs of $118 million.



Results Summary
DOL achieved all three of the three performance goals subsumed under Outcome Goal 3.2. In FY 2004, OFCCP completed 6,544 compliance evaluations, focusing on identifying and resolving systemic discrimination violations. This emphasis on compliance encourages Federal contractors to examine their own employment practices.

All WIA State recipients evaluated their largest local workforce investment areas. State and Job Corps Center FY 2003 data show that 1,211 discrimination complaints were filed against the workforce system; of these, 11% were filed on the basis of disability relative to wrongful termination and failure to provide reasonable accommodations.

VETS successfully identified a baseline of key problem areas so that future achievement of Performance Goal 3.2C can be properly assessed. The baseline covers four problem areas that are likely to be the focus of future reduction of complaints: (1) provision of refresher/upgrade training required to qualify for reemployment; (2) prompt reinstatement; (3) seniority; and (4) pension. These will serve as the focus of future measurement of VETS program goals.

A representative from a global human resources outsourcing and consulting firm welcomed participants at *Flex-Options: Making Them Work for You*, an event in Chicago, Illinois co-sponsored by her firm and DOL's Women's Bureau. The panel featured nationally recognized experts from the workplace flexibility field and Women's Bureau Director Shinae Chun and Region V Administrator, Nancy Chen. The Flex-Options project connects women business owners with corporate executives who provide mentoring on how to develop flexible workplace policies. These panels provide an educational forum for networking among women business owners who have expressed interest in developing such policies for their companies. A minimum of 80 women business owners will develop flexible workplace policies by the end of the project.
Photo credit: Women's Bureau staff

Future Challenges
OFCCP has introduced a new contractor selection system based upon a recent program evaluation study of the effectiveness of its civil rights enforcement. OFCCP will gather performance results from completed FY 2005 compliance evaluations[23] and use these and forthcoming evaluation results to improve its selection and investigation techniques in identifying non-compliant contractors.

In FY 2005, OASAM's Civil Rights Center will conduct several activities to enhance equal opportunity in the workplace, including expanding the directory of Equal Opportunity (EO) Officers to include local workforce investment area EO Officers; developing training modules on complaint processing and EO statistical monitoring; and providing on-line EO courses for EO Officers and frontline workers.

VETS's compliance assistance activities will emphasize areas that may reduce the number and severity of USERRA complaints. In September 2004, VETS published a Notice of Proposed Rulemaking (NPRM) under the authority of the USERRA statute. Stakeholders were offered an opportunity to comment on the proposed regulations prior to publication of a Final Rule that clarifies specific protections, VETS's role in the process, and procedures to be followed to implement the protections of the Act. The regulations that result from this proposed rule will, for the first time, provide clear and consistent authoritative guidance to America's employers on USERRA.

[23] Data collected from completed compliance evaluations that were scheduled beginning in July 2004.

Foster Equal Opportunity Workplaces

Performance Goal 3.2A (ESA) – FY 2004

Federal contractors achieve equal opportunity workplaces

Indicators
Reduce the incidence of discrimination among Federal contractors to 9%; and

Increase compliance among Federal contractors in all other respects of equal opportunity workplace standards to 61%.

Program Perspective
ESA's Office of Federal Contract Compliance Programs (OFCCP) administers and enforces three equal employment opportunity laws which prohibit Federal contractors from discriminating on the basis of race, color, religion, gender, national origin, disability, and protected veterans' status. Executive Order 11246, as amended; Section 503 of the Rehabilitation Act of 1973, as amended; and 38 U.S.C. 4212 of the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended also require Federal contractors to take steps to ensure equal employment opportunities. Based on the principle that employment opportunities generated by Federal dollars should be equally available to all Americans, these requirements are an integral part of nearly all Federal contracts and the Federal procurement process. By increasing equal opportunity compliance in companies doing business with the Federal government, OFCCP will protect the employment rights of thousands of able American workers who might otherwise be unfairly excluded from the workplace.

Results, Analysis and Future Plans
The goal was achieved. The incidence of discrimination found among evaluated contractors was one percentage point, or eight percent, below the FY 2004 goal of nine percent. Evaluated contractors' compliance with all other equal opportunity workplace standards increased to 91 percent, 30 percentage points above the FY 2004 goal of 61 percent.

OFCCP typically evaluates between four to six percent of the Federal contractor universe each year and focuses its enforcement activities on finding and resolving systemic discrimination. OFCCP adopts this strategy to: (1) prioritize enforcement resources for the worst offenders; (2) encourage employers to self-audit their employment practices; and (3) achieve maximum leverage of resources. OFCCP completed 6,544 compliance evaluations that focused on identifying and resolving systemic discrimination violations. While OFCCP is responsible for enforcing nondiscrimination and equal opportunity requirements, protection of civil rights and assurances of quality workplaces is not solely dependent on finding violations. OFCCP's compliance emphasis and the assistance it provides encourages contractors to examine their own employment practices. More Federal contractors are complying with the nondiscrimination laws, and the reduced regulatory burden on contractors has paid dividends.

OFCCP has introduced a new contractor selection system incorporating recommendations from a 2003 study on the effectiveness of its civil rights enforcement. OFCCP will gather performance results from completed FY 2005 compliance evaluations[24] and use these results to evaluate the impact of those recommendations. OFCCP will also improve its selection and investigation techniques in identifying non-compliant contractors based upon an evaluation of the effectiveness of the Equal Opportunity Survey in identifying Federal contractors who may have discriminatory practices.

[24] Data collected from completed compliance evaluations that were scheduled beginning in July 2004.

Secretary Chao uses the Secretary of Labor's Opportunity Award, the Exemplary Voluntary Efforts Awards (EVE), and the Exemplary Public Interest Contributions Awards Program to partner with Federal contractors in identifying programs of particular merit for achieving equal opportunity workplaces, thereby encouraging other employers to follow suit. The Opportunity Award was given in 2004 to the SCANA Corporation of Columbia, SC, for its consolidated employment system that fosters fair selection and hiring based on six business-related competencies. The EVE Award winners for 2004 included The Aerospace Corporation of El Segundo, CA, whose Aerospace Institute helps all employees maintain high competencies in technical and professional skills through computer based curricula. Another EVE Award winner, Dell Computer Corporation of Austin, TX, was honored for its investment in training designed to foster an inclusive environment. LG&E Energy Corporation of Louisville, KY created a Corporate Diversity Council to develop, implement and monitor employment opportunity initiatives. The Tice Electric Company of Portland, OR, another EVE Award winner, provides exemplary support for all employees through pre-apprenticeship education, training, and networking for those who seek employment in the electrical trades.
Photo credit: Shawn T. Moore

Management Issues

The Department continually seeks to simplify regulations and to reduce the regulatory burden on Federal contractors. The Abt Associates, Inc. study will evaluate the effectiveness of the Equal Opportunity Survey as an instrument for identifying contractors engaged in systemic discrimination. Research results will be used to develop and validate a model to identify workplaces where systemic discrimination persists while at the same time meet the Department's goal of reducing regulatory burden.

Statutory changes stemming from the recent Jobs for Veterans Act affect OFCCP regulations. Prior to this legislation, employers with a Federal contract or subcontract of at least $25,000 were required to take affirmative action to hire and promote qualified, covered veterans. Because this legislation increased the threshold to $100,000, it reduced the Federal contractor universe for veteran coverage. OFCCP will promulgate regulations to implement the change in this threshold.

The Program Assessment Rating Tool review of OFCCP for the FY 2004 budget indicated the agency could not measure the impact of its civil rights enforcement on the reduction of employment discrimination. As a result, DOL asked Westat to evaluate and measure OFCCP's effectiveness in identifying Federal contractors' discriminatory practices. Westat found that OFCCP's concentration on targeting larger employers and those more likely to discriminate was helpful in enforcing equal employment statutes. Study recommendations outlined techniques that could improve employer targeting even more significantly and OFCCP is incorporating these techniques within its current enforcement strategy. For more information, see Study 19 in Appendix 2.

DOL has also secured technical support, beginning in FY 2004, for a feasibility study and design of a secure web-based construction contractor information system using Federal Procurement Data System – Next Generation data. This reporting system will allow the agency to better identify, collect and report on construction contract awards to both prime contractors and subcontractors. This information system will also allow OFCCP to implement OIG recommendations that it design a better system for selecting and scheduling federal construction contractors for compliance evaluations.

Promote Equal Opportunity Under the Workforce Investment Act

Performance Goal 3.2B (OASAM) – FY 2004

States that receive financial assistance under the Workforce Investment Act provide benefits and services to persons with disabilities in a non-discriminatory manner.

Indicators
Desk reviews conducted of a representative sample of States using the WIA Section 188 Disability Checklist;

Initiate technical assistance reviews of the One-Stop Career systems in the cities of Los Angeles, CA and Houston, TX; and

The nature and number of discrimination complaints filed nationwide under Title I of the WIA, Wagner-Peyser Act funded programs, the Unemployment Insurance program, and against DOL-operated Job Corps Centers based on a longitudinal study spanning FY 2002 through FY 2005.

Program Perspective
Historically, people with disabilities have faced attitudinal, physical, and institutional barriers that prevent them from full participation in the mainstream of life, particularly employment. Persons with disabilities are one of the most under represented groups in the U.S. workforce. A substantial number of disabled persons want to work and can greatly benefit from the workforce system in making the transition from government transfer payment programs to the world of work. Over the last quarter of a century, Congress has enacted laws designed to break down barriers to employing persons with disabilities. Under WIA each Governor is required to establish a Methods of Administration, which is the foundation of policies, procedures, and systems that provide a reasonable guarantee of equality of opportunity in the workforce for all, including persons with disabilities.

Results, Analysis and Future Plans
The goal was achieved. All WIA State-level recipients were required to conduct self-evaluation reviews of their largest local workforce investment area, which exceeded the target of conducting only a sampling. The results of these self-evaluation reviews indicate that most States and their local areas have put in place policies and procedures that provide universal access to their customer population and programmatic access to customers with disabilities. This finding is buttressed by the finding from the full technical assistance review of New York and Florida and their largest local workforce areas, New York City and Miami, respectively.

We also initiated disability technical assistance reviews of California and Texas and their largest local areas, Los Angeles and Houston, respectively. DOL provided compliance assistance training on the Federal disability requirements to key State and local staff and front line workers representing every One-Stop Center in these localities.

States and Job Corps centers complaint log data show that 1,211 discrimination complaints were filed against the workforce system. Of the total number of discrimination complaints filed, 137 or 11 percent were filed on the basis of disability. The dominant issues in these complaints were wrongful termination and failure to provide reasonable accommodations.

In FY 2005 DOL will (1) establish a repository of promising practices on the Civil Rights Center's public website, (2) expand the directory of Equal Opportunity (EO) Officers to include local workforce investment area EO Officers in order to facilitate communication and information sharing, (3) develop training modules on complaint processing and EO statistical monitoring, and (4) develop on-line EO courses.

Management Issues
The General Accountability Office (GAO) announced and initiated a study of disability compliance in the workforce system during FY 2004. In many ways, the GAO study is mirroring the Civil Rights Center technical assistance reviews of the One-Stop Career systems. GAO's study will conclude with a series of recommendations, and the final report is expected during FY 2005.

Assist Veterans' Return to Jobs After Military Obligations

Performance Goal 3.2C (VETS) – FY 2004

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

Indicator

Establish baseline of key problem areas for reduction in USERRA cases filed by veterans or service members

Program Perspective

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

VETS investigates individuals' complaints alleging their rights have been violated and provides compliance assistance to employers and to protected individuals. Most violations by employers arise from a lack of awareness of the rights and protections established by USSERRA. Similarly, most claims that are found to be without merit result from a lack of awareness on the part of the claimants regarding the specific dimensions of the rights and protections established by USERRA. VETS seeks to reduce both employer violations and the filing of meritless complaints by protected individuals.

Results, Analysis and Future Plans

This goal was achieved. Using DOD's annual survey of the actual experiences of members of Military Reserve and National Guard units, VETS' established a baseline of issues that will help focus activities on improving employer compliance and reducing USERRA complaints.

Michael, a Reservist in the United States Army, was deployed in support of Operation Iraqi Freedom from February 16, 2003 to November 11, 2003. While deployed, Michael became eligible for a career ladder promotion. Upon his return to work, Michael inquired about his promotion. His supervisor informed him that he would have to wait because he was gone for most of the evaluation period. Michael filed a complaint with VETS in February 2004. VETS contacted the employer, outlining the complaint and explaining Michael's rights under USERRA concerning promotions while absent. The employer wrote back still insisting that they had not had sufficient time to evaluate Michael. DVET explained to the employer that they could evaluate him for a short period of time and promote him retroactively. Finally, the employer realized how Michael's career could be affected by the delayed promotion. On March 29, 2004 the employer agreed to promote Michael retroactively and remit $4,589.60 in back pay.
Photo credit: Stan Williams

The first table below summarizes VETS' baseline analysis. Although the 2004 percentages are consistently higher than the corresponding percentages for 2003, this difference needs to be viewed with considerable caution: 1) This question was a "stand-alone" item in the 2003 survey but in the 2004 survey it was the 11th item in a series of 20, all dealing with USERRA. Therefore, the higher percentages may reflect a difference in how those participating in the 2004 survey responded after being "warmed" to the topic by a series of prior questions, as opposed to how those participating in the 2003 survey responded "cold" to a single question. 2) Percentages are small, so the statistical error of these estimates is high relative to their values. Averaging the results of the two surveys offers a conservative estimate of the overall frequency of these issues, as shown in the last column. The second table groups actual complaints by survey categories in the first table.

Results from the 2003 and 2004 DMDC Surveys[25]

Categories of USERRA-Related Problems Experienced by Survey Respondents	Percent "YES" 2003	Percent "YES" 2004	Average
Reemployment Issues:			
Prompt Reemployment: (Failed to receive prompt reemployment upon return from military service)	4	6	5
Skill Upgrade and Refresher Opportunities: (Reasonable efforts not made to refresh or upgrade skills to enable you to qualify for reemployment)	6	10	8
Seniority Issues: (Loss of seniority, seniority-related pay, or seniority-related benefits)	7	12	9.5
Health Benefits Issues:			
Continuation: (Failed to receive option to continue employer-provided health insurance)	6	8	7
Reinstatement: (Failed to receive immediate reinstatement of employer-provided health insurance)	4	7	5.5
Pensions: (Military service considered a break in employment for pension benefit purposes)	10	12	11
Type of Service: (Employer differentiated between voluntary and involuntary service)	10	12	11

Prompt reemployment and skill upgrade are key problem areas. Prompt reemployment has long been a priority for USERRA compliance assistance and continuing emphasis upon that issue is likely. However, the percentage of respondents identifying upgrade/refresher training as an issue is higher. Therefore, the provision of skill upgrade/refresher training may be a "sleeper" issue that underlies a number of USERRA reinstatement complaints and is not fully appreciated by VETS or employers.

USERRA Complaints in FY 2003, Grouped by Corresponding Survey Categories

Primary Issue Codes Associated with USERRA Complaints in FY 2003	Percent of Issue Codes Associated with Complaints
Reinstatement	19%
Seniority, Status, Promotion, Pay Rate, Vacation	20%
Pension	4%
Military Obligations Discrimination, Discrimination as Retaliation for any Action, Initial Hiring Discrimination, Layoff	40%
Miscellaneous	17%

Management Issues

In late FY 2004, VETS published a Notice of Proposed Rulemaking (NPRM) under the authority of the USERRA statute. Because the program previously operated without the benefit of regulations, it is expected that a broad spectrum of stakeholders will take the opportunity to comment on the proposed regulations. Among these are likely to be employer associations, labor unions and other employee associations, veteran service organizations, and the Employer Support of the Guard and Reserve, which has a role in providing assistance under USERRA. Publishing the NPRM, responding to comments, and publishing a Final Rule will help to clarify issues regarding specific protections, issues regarding VETS's role with respect to interested individuals and organizations, and the procedures to implement the protections of the Act.

[25] Defense Manpower Data Center (DMDC) 2003 & 2004 surveys' common question: "In the past 24 months, have you experienced any of the following problems despite your protection under USERRA?"

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

The continuing evolution of today's global environment has an ever-increasing impact on the 21st century American workforce. The well-being of American workers is increasingly tied to international stability. As our country faces unprecedented international security challenges, the need for broad-based economic prosperity, both domestically and abroad, has become increasingly apparent. Through its complementary missions of supporting the expansion of free and fair trade and providing technical assistance grants to eliminate exploitive child labor and promote basic rights of workers around the world, the Department's Bureau of International Labor Affairs (ILAB) strives to secure increased economic well-being both in the United States and abroad. ILAB also continues to provide policy guidance on other labor-related issues.

ILAB-supported international technical assistance programs are unique in that they focus on raising living standards around the world through labor and workplace-related interventions. In FY 2004, DOL's international technical assistance programs focused on supporting the Administration's foreign policy initiatives to combat the trafficking and commercial sexual exploitation of children; reduce the impact of HIV/AIDS on children and workers; promote educational initiatives in the Middle East; and fulfill the Department's role in negotiating international trade agreements.

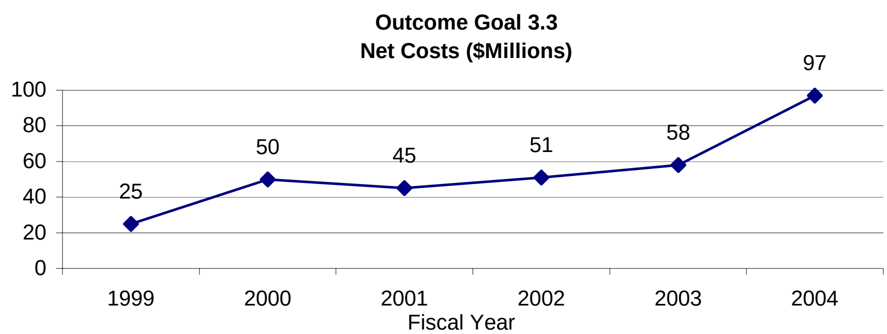
ILAB's FY 2004 performance goals seek to improve workplaces, strengthen training and skills of workers in developing and transition countries, and promote core labor standards. As the Administration has worked to implement free and open global markets and develop regional and bilateral trade agreements, it has sought to work with its trading partners to improve labor policies and conditions.

Listed in the first column of the table below are the performance goal numbers associated with this outcome goal, the periods being reported on, the goal statements, and indication whether or not they were achieved. The second column provides a summary of targets reached, substantially reached and not reached for the indicators associated with each performance goal, followed by a note of the most significant result(s) for this past year.

Goal (Agency) – Period **Goal Statement [Achievement]**	**Performance Summary**
3.3A (ILAB) – FY 2004 Contribute to the elimination of the worst forms of child labor internationally. **[Achieved]**	ILAB reached all four of its targets, which included the prevention or withdrawal of more than 90,000 children from exploitive child labor, and increasing the capacity of 26 countries to address child labor.
3.3B (ILAB) – FY 2004 Improve living standards and conditions of work internationally. **[Achieved]**	ILAB reached all five of its targets, which include the collection of analytic data that will help ILAB measure the impact of its programs on improving living standards and conditions of work internationally. ILAB also began HIV/AIDS workplace education projects in eight countries.

Net Cost of Programs
FY 2004 program costs of $97 million supported the Bureau of International Labor Affairs (ILAB's) efforts to reduce the worst forms of exploitive child labor internationally and to address core international labor standards issues. These program costs represent a $47 million (almost 100 percent) increase from the FY 2003 costs of $50 million

The difference in costs between FY 2003 and FY 2004 for this outcome goal is attributable to two factors. First, in FY 2003, ILAB's budget included money for grants that could be awarded in either FY 2003 or 2004. Approximately $35 million of this grant money was awarded in FY 2004. Second, given the late passage of the FY 2003 budget, many of ILAB's grants were awarded toward the end of FY 2003. The recipients spent little of these funds prior to FY 2004.



A three-year USDOL-funded project in Mali and Ivory Coast is combating child labor in cocoa production. The Child Labor Alternatives through Sustainable Systems in Education (CLASSE) project promotes training and educational alternatives for children. The project provides alternative curricula and training for teachers, vocational education with an emphasis on agriculture, and youth mentoring. Activities include public awareness campaigns, community focus groups, and interaction with government officials, worker groups, and faith-based organizations to build support for child labor prevention. The photograph pictured here features schoolchildren in a village in Ivory Coast where the CLASSE project is expanding school access. **Photo credit: ILAB**

Results Summary
Both performance goals were achieved. For Performance Goal 3.3A, an estimated 90,200 children were removed or prevented from exploitive work in FY 2004. The DOL target was 70,000. ILAB achieved this performance goal through the provision of education or training opportunities in ongoing programs operated by the International Labor Organization's International Program on the Elimination of Child Labor (ILO-IPEC) with oversight and funding by DOL. This year's target was significantly exceeded due to improved program efficiency and larger projects that enrolled greater numbers of children. Since ILAB began tracking this indicator in 2001, USDOL-funded ILO-IPEC projects have removed or prevented approximately 250,000 children from exploitive work and given them meaningful alternatives to child labor.

Secondino, age 14 (pictured) of Constanza in the Dominican Republic, had worked in the fields 10 hours a day from the age of 8, his hands as callused as an old man's, his back aching from bending to cut crops. Secondino began "leveling" classes at age 11 in first grade, and by summer's end had progressed to 4th grade. His mother says, "Now he looks healthier, taller, and I have learned he is very smart." Secondino's younger brother, also in school, is one of Constanza's more than 200 at-risk children protected by the program from entering child labor.
Photo credit: ILAB

Preventing and withdrawing children from the worst forms of child labor in the long-term also depends on a country's willingness and capacity to address the issue and sustain efforts even after projects end. ILAB estimates that 26 countries increased their capacity to address child labor as a result of ILO-IPEC programs funded by DOL, exceeding its target of 15. For this measure, capacity is defined as changes to countries' legal frameworks that reflect international child labor standards; the adoption or implementation of programs or policies to combat the worst forms of child labor; mainstreaming of child labor concerns into relevant development, social, and anti-poverty policies and programs; or the establishment of a child labor monitoring mechanism. ILAB's Education Initiative (EI) funds projects to improve access to basic education in areas where there is a high incidence of child labor. Both of ILAB's EI performance indicators were reached. At least 16 projects established targets for retention and completion rates for projects funded in 2002 and 2003, exceeding ILAB's target of eight. Eight projects have established baseline rates for enrollment and drop out (school retention) of participants for projects funded in 2003, exceeding ILAB's target of seven.

For Performance Goal 3.3B, ILAB reached its target by collecting baseline data for indicators measuring the impact of DOL programs to improve working conditions around the world. These programs encourage the establishment of government regulated pension plans; the adoption of workplace safety and health programs; improved economic and working conditions; and the implementation of HIV/AIDS workplace education projects. These data will help determine challenging but realistic targets in the future. ILAB also funds HIV/AIDS projects in seven countries that include Burkina Faso, China, Cameroon, Gabon, Indonesia, Sri Lanka, and Trinidad and Tobago, exceeding its target of five countries. These projects aim to decrease employment discrimination against persons affected by HIV/AIDS.

Reduce Child Labor in Developing Countries

Performance Goal 3.3A (ILAB) – FY 2004

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

Indicators
Number of children prevented or withdrawn from exploitive labor and provided education or training opportunities by ILO-IPEC programs funded by DOL in prior fiscal years;

Number of countries with increased capacities to address child labor as a result of ILO-IPEC programs funded by DOL in prior fiscal years;

Number of Child Labor Education Initiative projects that establish targets for education retention and completion rates in project areas; and

Number of Child Labor Education Initiative projects that establish a baseline for rate of enrollment and drop out for targeted children.

Program Perspective
ILAB has worked to reduce exploitive child labor worldwide since 1993, funding and overseeing projects that combat exploitive child labor in 69 developing countries. ILAB's activities include research and reporting on various aspects of international child labor, increasing public awareness and understanding of the problem, and supporting international projects to eliminate exploitive child labor and increase access to quality basic education. Many projects are implemented by ILO-IPEC, a worldwide technical assistance program to progressively eliminate exploitive child labor. ILAB's Child Labor Education Initiative (EI), originating in 2000, provides funds for international projects focusing specifically on access to and quality of basic education as a means of reducing exploitive child labor. A wide variety of organizations implement EI projects.

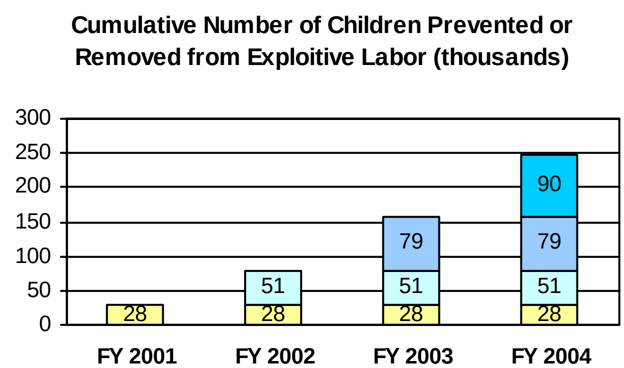
With financial support from USDOL, children in Ghana who were formerly trafficked for exploitive labor are now receiving an education at the Kokrobite primary school, located an hour outside Accra. The DOL project, implemented by the International Labor Organization's International Program on the Elimination of Child Labor (ILO-IPEC), works with government and local non-governmental organizations to provide children rescued from trafficking with the support they need to attend school. The children were trafficked hours away from their homes to the Volta Lake region to work in the fishing industry as divers, net casters and assistants to local fishermen. In addition to Kokrobite, the project provides education to trafficked children in a number of other villages in Ghana. In total, the project will assist hundreds of children who have been trafficked or at risk of being trafficked for exploitive labor. The project in Ghana is part of a nine-country DOL-funded program in Africa to combat child trafficking for exploitive employment. During Secretary Chao's trip to Ghana in December 2003, she visited the Kokrobite school, and met with children assisted by the project, as well as with teachers, families, and community members.
Photo credit: ILAB

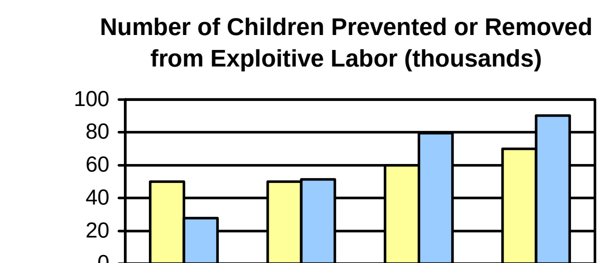
ILAB measures the progress of its ILO-IPEC projects on two levels: community-based direct interventions benefiting individual children and families; and country-level activities to build capacity and institutional strengthening. EI indicators focus on start-up activities, such as the establishment of baselines and the identification of targets for projects funded in prior fiscal years. For the EI, the indicators will establish baseline data to permit ILAB to set targets for education retention and completion, and enrollment and dropout rates achieved as a result of DOL-funded projects. ILAB establishes its annual targets for its indicators through close consultations with grantees and analysis of baseline information, individual project targets, past performance and external factors.

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

Results, Analysis and Future Plans

The goal was achieved. ILAB exceeded three out of four performance indicators, and reached the fourth. In 2004, ILAB funded a total of 28 new projects to combat child labor and to increase access to basic education with a special focus on the worst forms of child labor. Many of these projects support the Administration's foreign policy objectives to combat the trafficking and commercial sexual exploitation of children; to reduce the impact of HIV/AIDS on children; to promote educational initiatives in the Middle East; and to fulfill DOL's role in negotiating international trade agreements. In 2004, 90,200 children were removed or prevented from exploitive work through the provision of education or training opportunities in ongoing ILO-IPEC programs funded by DOL, exceeding the target of 70,000 children. Since ILAB began tracking this indicator in 2001, USDOL-funded ILO-IPEC projects have removed or prevented approximately 250,000 children from exploitive work and given them meaningful alternatives to child labor. In addition, thousands of parents were provided training and assistance to meet the basic needs of their families and overcome their reliance on child labor.





	FY 2001	FY 2002	FY 2003	FY 2004
Planned	50,000	50,000	60,000	70,000
Actual	27,773	51,297	79,487	90,198

Preventing and withdrawing children from the worst forms of child labor in the long-term depends on a country's willingness and ability to address the issue and sustain efforts even after projects end. In FY 2004, DOL-funded ILO-IPEC programs increased the capacity of 26 countries to address child labor, exceeding its target of 15. This indicator measures capacity through a standard set of criteria, including: 1) adaptation of a country's legal framework to reflect international child labor standards; 2) formulation of national, sectoral or geographical programs or policies to combat the worst forms of child labor; 3) mainstreaming child labor concerns into relevant development, social, and anti-poverty policies and programs; or 4) establishment of a child labor monitoring mechanism. For example, through DOL funding of the El Salvador Timebound Program, the government reformed the Penal Code to provide judicial authority to investigate and prosecute offenders involved in the commercial sexual exploitation of children.

All projects funded under the EI work to identify targets for rates of retention and completion. At least 16 projects established targets for retention and completion rates for projects funded in 2002 and 2003, exceeding ILAB's target of eight. In addition, eight projects have established baseline rates for enrollment and drop out (school retention) of participants for projects funded in 2003, exceeding ILAB's target of seven. Education targets and rates for both indicators were set relative to results from baseline data collection and historical experience in project implementing areas.

In the future, ILAB will obtain data relating to program performance, implementation plans, and results. ILAB is also working to improve the efficiency of its technical assistance programs.

Management Issues
ILAB continues to enhance its program oversight and management responsibilities by regularly collecting timely project performance information. ILAB receives primary data from its grantees. ILAB staff review and verify the accuracy of the data. Project monitoring systems provide data at the project and country levels. ILAB continues to work with grantees to improve the effectiveness and quality of data collection.

ILAB funds project-specific mid-term and final evaluations for each project. The agency uses the evaluation reports to take corrective actions, when necessary, and to inform approaches and management of ongoing and new projects. Now that the program has been underway for a significant amount of time and a number of projects are being completed, ILAB plans to commission a program-wide independent evaluation in FY 2005.

Delays in the appropriations process continue to be ILAB's primary management challenge. These delays significantly reduce ILAB's timeframe for obligating funds, conducting initial needs assessments, performing government and interagency consultations, conducting competitive procurements, and reviewing and approving grantee proposals. Furthermore one-year obligation authority limits time available for the EI to design complex international projects. To address these challenges, ILAB is streamlining its procedures for obligating funds and supporting fewer, larger projects.

In addition, a shorter time-frame for obligating funds may put smaller organizations at a disadvantage in applying for grants. Groups that may be capable of implementing projects may not possess the infrastructure required to prepare grant applications in short time frames. It remains a challenge for ILAB to obligate funds quickly while striving to establish a level playing field for potential grantees.

Improving Life for Workers Around the Globe

Performance Goal 3.3B (ILAB) – FY 2004

Improve living standards and conditions of work internationally.

Indicators
Number and percent of relevant government officials and members and officials of workers' and employers' organizations who are influential in determining living standards and working conditions and participating in USDOL project activities, who consider the project to have improved their conditions of work;

Number and percent of individuals whose economic situation has benefited from USDOL project assistance;

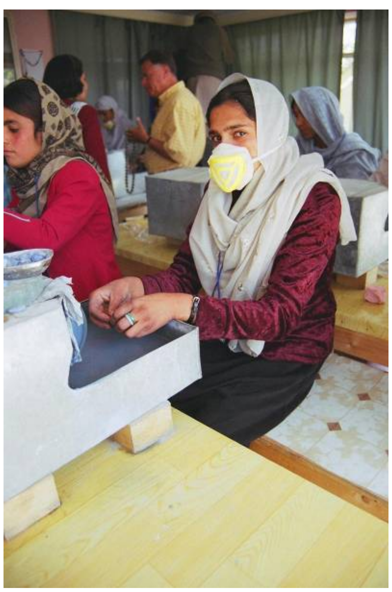
Number and percent of workplaces exposed to USDOL project assistance that have implemented new measures to prevent workplace accidents and illnesses;

Number of workers participating in pension funds that are government regulated by project partner agencies; and

Number of new countries where HIV/AIDS workplace education projects begin.

Program Perspective
The Department's International Cooperation Program seeks to ensure that the greatest possible number of workers benefit from a more open world economy. Expanding trade and investment and improving working conditions should be understood as mutually reinforcing objectives, not opposing ones – increased trade helps foster economic growth and raise living standards while promoting employment in the U.S. The Department also believes that the creation of more open, stable economies that increase employment and standards of living for people will lead to increased political stability and security.

DOL has been providing assistance to help support these changes since 1950, when it trained German trade unionists to assist with European reconstruction after World War II. The Department has provided technical assistance to developing countries by using DOL experts in areas such as labor inspection, statistics, skills training, and occupational and mine safety and health. In 1995, the Department began receiving appropriations from Congress to fund multi-year projects that provide more focused, intensive assistance to target countries to combat child labor and in 1999, began receiving funds to implement other types of labor projects. Since 1999, the Department has funded 92 projects in over 90 countries as part of its International Cooperation Program.



The U.S. Department of Labor is funding a $3 million job skills and small enterprise training project to increase incomes and standards of living for the most vulnerable segments of the Afghan population. Many project participants are women, including widows who have lost husbands and sons during over two decades of warfare. They receive literacy and numeracy education; learn marketable job skills; and are trained to start and manage their own small business. Some of the women, such as those pictured here, have chosen to be trained in trades such as jewelry making, that have traditionally been male-dominated areas of work.
Photo credit: ILAB

Results, Analysis and Future Plans
The goal was achieved. ILAB met its target by collecting baseline data for indicators one through four. This type of longitudinal data collection supports managing for results.

ILAB is funding new HIV/AIDS projects in seven countries that include Burkina Faso, China, Cameroon, Gabon, Indonesia, Sri Lanka, and Trinidad and Tobago, exceeding its target of five countries. These projects aim to reduce employment discrimination against persons affected with HIV/AIDS.

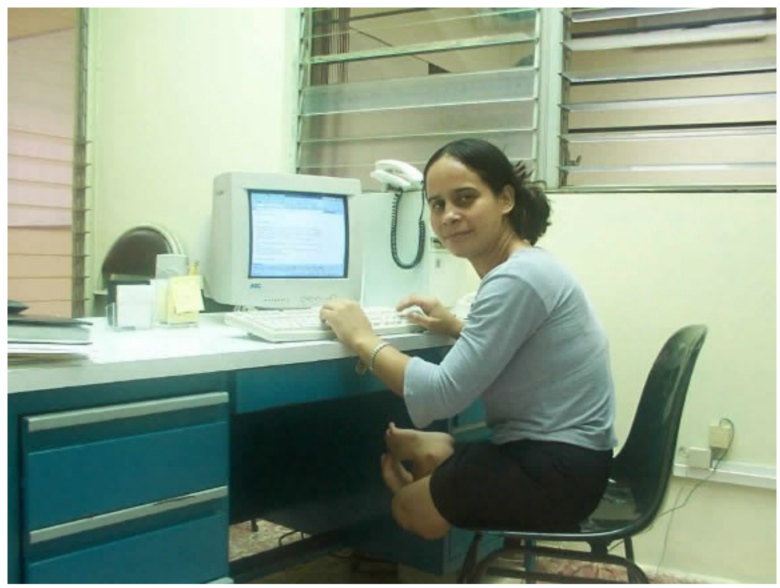
In FY 2004, the Department focused its technical assistance funds on projects supporting the President's international trade and HIV/AIDS initiatives. DOL contributed $2.4 million to projects in the Dominican Republic, Panama, Chile, and China aimed at building trade capacity by improving conditions of work in those countries. DOL also contributed $9 million to the International Labor Organization (ILO) to fund a number of new and continuing workplace-based HIV/AIDS education and prevention projects.

"Improve living standards and conditions of work" is a very broad goal, but the Department has chosen to target its technical assistance to address very specific components of this goal in order to deepen the impact of its assistance:

- Improved implementation of core labor standards
- Improvement in people's economic or employment situation
- Increased efforts to improve safety in the workplace
- Increased security of pensions
- Decrease in HIV/AIDS risk behaviors
- Decrease in employment discrimination against persons living with HIV/AIDS

ILAB will change its indicators and targets for Goal 3.3B in FY 2005 in response to shifts in the Administration's priorities with respect to international labor projects. Indicator five will be replaced in FY 2005 by two outcome-oriented indicators: 1) Reduced HIV/AIDS risk behaviors among targeted workers, and 2) Reduced level of employment-related discrimination against Persons Living with HIV/AIDS. Baseline data for these indicators will be established by the end of FY 2005.

Virginia Martínez Orellana is one of thousands benefiting from a DOL-funded project to expand employment opportunities in El Salvador for persons with disabilities. Through a grant to the Trust of the Americas, the USDOL provides Virginia with training in Information Technology and ways to seek and obtain employment. After the Center's training job placement assistance, she obtained employment as a Computer Assistant at the Cantón Sitio del Niño school. "Because of the assistance and training they provided me, I was able to obtain a job. It allowed me to grow as a person who is able to overcome many obstacles. In addition to the Trust and DOL, I would also like to thank all the people who trained me to be someone in life and be able to evolve in a job environment. Thank you all for your help."
Photo credit: ILAB



Management Issues

DOL used two primary sources to collect information for these indicators: a global survey and projects' individual reports against their Performance Monitoring Plans (PMPs). Project implementers are required to develop a PMP for each project. The PMP defines project indicators and identifies data needed to measure progress towards achieving those indicators, and are used to track progress toward meeting project goals. An independent contractor conducted a worldwide survey of project stakeholders to gain baseline and trend data for Indicator One. For Indicators Two, Three, and Four, ILAB collected baseline and trend data through project PMPs. ILAB worked with project implementers to develop PMPs in tandem with project designs in order to facilitate the data collection process, to ensure comparability of data, and to inform data analysis. Project Managers from DOL have an opportunity to verify data when they go on monitoring or evaluation missions.

Strategic Goal 4: A Competitive Workforce

Maintain Competitiveness in the 21st Century Economy

This goal was introduced one year ago in the FY 2003 – 2008 DOL Strategic Plan. It addresses the global economic issues facing American workers in the 21st Century. Two outcome goals describe strategies the Department has conceived to serve the needs of our country's changing workforce. Outcome Goal 4.1, *Address demand for new, replacement, and skilled workers,* focuses on workforce gaps that are likely to occur, including labor shortages for new and replacement workers, with an emphasis on knowledge workers, and on adapting the nation's workforce investment system to match workers and skills with employers' needs. Outcome Goal 4.2, *Promote job flexibility and minimize regulatory burden,* includes identifying and adopting innovative approaches for effective regulation, and expanding workplace flexibility consistent with the changing nature of work in the 21st Century.

Implementation of this goal occurs primarily in training and job placement programs administered by the Employment and Training Administration (ETA). In addition, the Office of the Assistant Secretary for Policy (OASP) conducts oversight of all DOL regulatory functions in connection with the second outcome goal. Since creation of Outcome Goal 4.1, ETA has launched several initiatives aimed at gathering information on high growth industries, the skills needed by employers in those industries and adapting training programs to equip workers – especially underutilized segments of the workforce – to satisfy those requirements. Measurable results in connection with this goal are deferred until 2005, however, since the programs associated with this goal are all funded and tracked on a Program Year basis.[26] A major accomplishment in the first year under Outcome Goal 4.2 was the addition of net benefit evaluations to all Regulatory Impact Analyses conducted during the year.

<table>
<tr><th colspan="2">Outcome Goal 4.1 − Equip Workers to Adapt to the Competitive Challenges of the 21st Century
Program Year performance goals – reporting next year</th></tr>
<tr><td colspan="2">To help us better understand potential emerging workforce issues, where worker shortages exist and how to tap into underutilized labor pools, and the necessary components of building a demand-driven workforce system, DOL introduced several new initiatives and enhanced or redirected a number of existing workforce development programs, such as the President's High Growth Job Training Initiative, the Career Voyages WebSite, and the ETA Management Information and Longitudinal Evaluation (EMILE) reporting system.</td></tr>
<tr><th colspan="2">Outcome Goal 4.2 – Promote Job Flexibility and Minimize Regulatory Burden
1 performance goal not achieved</th></tr>
<tr><td>OASP flexible regulations and workplaces (4.2A) – not achieved.</td><td>The target for providing costs, benefits, and net benefits for all Regulatory Impact Analyses was reached, but other targets, such as receiving public input to establish regulatory review priority, developing a plan to examine regulatory reporting and record-keeping requirements, and fully implementing the Flex-Options for Women Project, were not reached.</td></tr>
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The outcome goals and programs listed above, along with their results, costs, and future challenges are discussed in more detail on the following pages.

[26] Program Year 2004 began on July 1, 2004 and ends on June 30, 2005

Outcome Goal 4.1 – Equip Workers to Adapt to the Competitive Challenges of the 21st Century

The 21st Century has created new challenges and opportunities for American workers. To better prepare the Federal workforce system for the effects of globalization, changing demographics, and advances in technology, the Department has included a new strategic goal in the Strategic Plan that covers this report – *A Competitive Workforce*. This outcome goal supports the new strategic goal by employing strategies that target assistance to American workers by helping them acquire the skills they need to obtain good jobs as quickly as possible. This in turn helps American businesses acquire competitive advantages needed to innovate, grow, and succeed in an increasingly global economy.

Through this goal, DOL programs:

- Train knowledge workers for jobs of the new economy;
- Keep pace with new skill requirements driven by technology and global workforce demands;
- Utilize the diversity of the American workforce; and
- Anticipate human capital solutions for employer needs, including our high-growth industries.

DOL's Revised Final FY 2004 Annual Performance Plan (dated January 27, 2004) included three performance goals in support of this outcome goal: 4.1A – Analyze information collection and research programs for relevance; 4.1B – Address worker shortages; and 4.1C – Build a demand-driven workforce system. All three are associated with programs administered by ETA. Since all but a few of the programs are forward-funded,[27] performance measurement lags funding and the first year's results will be reported in the DOL FY 2005 Performance and Accountability Report.

Strategies aimed at supporting the Department's goal include: improved communication and collaboration among businesses, workers, and training providers; new partnerships with employers in high-growth industries; strategic initiatives with other government agencies; leveraging of private investments in training; and outreach to underutilized labor pools The discussion below summarizes progress to date in shifting emphasis of employment and training programs toward matching undersupplied businesses with underutilized workers and focusing on skills needed to keep American labor competitive.

Results Summary

DOL undertook a number of foundation building activities that will inform future strategies. These activities have helped us to better understand potential emerging workforce issues, where worker shortages exist and how to tap into underutilized labor pools, and the necessary components of building a demand-driven workforce system. Highlighted below are some of DOL's programs, research projects, and electronic tools that support Goal 4:

- *The President's High Growth Job Training Initiative* (HGJTI) is a strategic effort to prepare workers to take advantage of new job opportunities in high-growth sectors of the American economy. Through executive forums with leaders of expanding industries, critical workforce gaps and issues are identified. In PY 2003, ETA funded 30 High Growth Job Training Initiative pilot and demonstration grant projects totaling $48.7 million in the following industry areas: advanced manufacturing, biotechnology and health care.
- *America's Career InfoNet*[28] offers dynamic labor market-based information for career decisions. The website provides access to National, State and local labor market trends, occupational employment and outlook and wages, licensing requirements, and information on occupational skills and abilities. This information can help workforce staff identify high growth industries and understand their occupational staffing patterns and requirements.
- *Career Voyages Web Site* promotes high demand occupations to youth. This site uses ETA's labor market information products such as short and long term employment projections, O*NET skills information and State gathered data in an interactive Internet website.

[27] A mechanism of the Workforce Investment Act of 1998 (WIA) that allows for distribution of grant monies prior to measuring outcomes. WIA programs operate on a July-June Program Year (PY). For example, PY 2004 began on July 1, 2004 and ends on June 30, 2005.

[28] http://www.acinet.org/acinet/

- ETA launched the *Hispanic Initiative* this year to help Hispanic Americans exploit job opportunities in high growth sectors via special grant projects that define effective strategies.
- *The Asian-American Initiative* is a study of Asian-American and Pacific Islander (API) workers that will illuminate the demographic and economic characteristics of that diverse population and provide a better understanding of the key employment issues facing the most vulnerable API subpopulations.
- *The ETA Management Information and Longitudinal Evaluation (EMILE)* reporting system streamlines 12 ETA program reporting systems into one comprehensive reporting structure that will allow for consistent, comparable analysis across ETA funded employment and training programs. Reports will capture critical information on individual job seekers as well as business customers served through the federal workforce investment system to better match the needs of both groups.
- ETA's Business Relations Group created the *Partnerships for Jobs Initiative* to assist business in utilizing the services of the publicly funded workforce system. The BRG collaborates with each national business partner to craft an implementation strategy.
- *The O*NET System* rates the importance and level of over 200 occupational requirements including Knowledge, Skills, Abilities (KSAs), Tasks, Generalized and Detailed Work Activities, and Work Context. Organizations that are seeking to close the skills gap can turn to O*NET OnLine (http://online.onetcenter.org) to quickly view a profile of the skill requirements of high-growth, in-demand occupations. ETA also has documented community college use of O*NET information in the development of competency-based curricula.

Future Challenges

DOL's FY 2005 Performance and Accountability Report will mark the first expected results for investments made in support of Goal 4 – over $70 million for the High Growth Job Training Initiative (HGJTI) Grants awarded in PY 2004. The Department expects to report on the following indicators:

- Number of industries engaged;
- Number and amount of funded demonstration projects;
- Number of Executive Forums and number of attendees; and
- Number of Workforce Solutions Forums and number of attendees.

For PY 2005, the Department has requested $250 million for the Community Based Job Training Grants.

Outcome Goal 4.2 – Promote Job Flexibility and Minimize Regulatory Burden

Maintaining a growing, vibrant economy requires a competitive economic environment. Such an environment can only be achieved through a regulatory structure that assures regulations' benefits outweigh their burdens. A competitive economic environment must also take into account the modern workplace, with its increasingly flexible working arrangements. Many employment laws and regulations were written in the 1970's and were based on, among other things, traditional on-site, full-time, long-term employment relationships between workers and employers. The foundation and logic for these laws and regulations has changed considerably, yet the laws and regulations themselves have not. DOL is systematically reviewing the regulations it is responsible for enforcing, to ensure they do not unnecessarily pose barriers to flexible work arrangements.

Regulatory flexibility, another priority at DOL, is being actively sought via reviews pursuant to the Regulatory Flexibility Act of 1980 to determine if regulations have or will have a significant economic impact on a substantial number of small entities. These reviews also examine the effect on employers' compliance costs and whether the regulatory burdens of all employers, both large and small, are reduced.

Outcome Goal 4.2 goals and indicators will measure DOL's success in creating a more competitive economic environment through promotion and development of a regulatory structure and workplace arrangements that are congruent with the modern workplace. Over the next several years, DOL will conduct a comprehensive review of the key laws and regulations governing labor standards, pensions, health care, and worker safety to determine their appropriateness in the new workplace. Once the review is complete, DOL will pursue needed changes to reduce regulatory burden to improve productivity and competitiveness, while simultaneously protecting worker rights, benefits, and safety. DOL has already made strides in modernizing its regulatory approach by 1) shifting our emphasis toward compliance assistance through outreach, education, and innovative programs designed to prevent violations; 2) targeting our enforcement efforts to address the most egregious problems; and 3) expanding electronic options for employers to meet their reporting obligations. Over the next several years, we will analyze the effectiveness of this overarching strategy, seek ways to build upon the successes, exploit technology to improve our effectiveness, and take other steps necessary to ensure that our regulatory infrastructure is consistent with the 21st Century work environment.

Goal (Agency) – Period Goal Statement [Achievement]	Performance Summary
4.2A (OASP) – FY 2004 Maximize regulatory flexibility and benefits and promote flexible workplace programs **[Not Achieved]**	The Department reached its target for providing the costs, benefits, and net benefits for all Regulatory Impact Analyses. The Department did not meet its target to receive public input to establish regulatory review priority, its target to develop an all-encompassing regulatory review plan to examine reporting and record-keeping requirements, or its target to fully implement the Flex-Options for Women Project.

Net Cost of Programs
This goal is new in FY 2004. Associated costs are shared by most DOL agencies but only amounted to $6 million for this period – a small fraction (one hundredth of one percent) of the total.

Results Summary
In FY 2004, DOL made considerable progress in its efforts to reduce regulatory burden and to promote flexible workplace programs. The Department published final overtime rules and is well on the way to modernizing regulations governing child labor. Currently in draft rule form, the new child labor regulations reflect changes in the workplace and provide the clarity that employers, youths and their parents need to make informed employment decisions. The updated overtime rules will reduce confusion and litigation, while continuing to protect workers.

The Department is also reviewing pension plan and benefit plan regulations, as well as workplace safety regulations. For pension and benefit plan regulations, DOL is assuring that requirements for seeking exemptions from certain prohibited transactions, including loans to benefit plan participants will continue to protect beneficiaries while taking into account new forms of pension and benefit plans. The review process for these proposed regulations allows opportunities for public input, where appropriate, on both the selection of regulations for review and the outcomes of reviews.

Through the Women's Bureau (WB) Flex-Options for Women and the Office of Disability Employment Policy (ODEP) Telework Grants, the Department is making significant strides in creating more opportunities for flexible working arrangements. The WB enlisted women-owned businesses and other corporate mentors who developed a workplace flexibility policy/program for their workforces. Through the Telework Grants project, ODEP funds research examining how telework can be used as an employment option for people with disabilities.

Future Challenges

One of the central challenges to regulatory modernization is providing assurances to those protected by regulations that providing greater flexibility does not necessarily mean reductions in protections. This requires that DOL strive to demonstrate that increasing regulatory flexibility benefits those protected by the regulations. For instance, the new overtime rules tripled the salary level under which workers are guaranteed overtime, from $8,060 to $23,660, guaranteeing overtime protection to an additional 1.3 million workers. The rule also strengthens overtime protection for 5.4 million workers whose right to overtime protection was ambiguous.

The move toward greater workplace flexibility requires that managers understand that critical planning, employee monitoring, teaming and coordination do not necessarily have to suffer due to the added flexibility. It also requires that advocates of greater workplace flexibility demonstrate that the ability for workers to spend more time with their families will only result from changes to the nation's labor laws. Many of these laws were designed a generation ago, and their provisions do not fit today's changing workplace.

Promote Flexible Workplace Programs

Performance Goal 4.2A (ASP) – FY 2004

Maximize regulatory flexibility and benefits and promote flexible workplace programs

Indicators
Seek input from the public as part of its decision-making process in determining which regulations or regulatory programs should be prioritized for review for their effects on small businesses and entities;

Ensure that all new regulatory proposals identify monetary costs, benefits, and net benefits, and include a summary of this information in all Regulatory Impact Analyses performed by DOL agencies;

Develop a plan to review all significant regulations for maximum flexibility in their reporting and record keeping requirements in order to assess whether DOL agencies are allowing the use of electronic technology by employers where practicable; and

The Flex-Options for Women Project: Women-owned businesses will enhance their work forces/businesses by offering flexible workplace policies and programs that encourage a balance between home and work-life. The Women's Bureau will enlist 40 companies as corporate mentors and 80 women-owned businesses as companies seeking to establish workplace flexibility policies or programs.

Program Perspective
The Office of the Assistant Secretary for Policy (OASP) coordinates and tracks DOL's achievement of this goal in part through its role in directing the compilation and publication of the Department's Annual Regulatory Plan and Semi-Annual Regulatory Agenda. The Plan and the Agendas provide information on all regulatory items DOL will act on within the next year and those the agency has either completed action on or withdrawn within the past six months. With OASP's assistance, DOL regulatory agencies prioritize their regulatory initiatives to ensure they are in keeping with the Department's strategic goals. During the reporting period, the Department had 81 items on its regulatory agenda. Milestones (in the form of notices of proposed rulemakings, final rules, interim final rules, etc.) were published for 33 agenda items.

Results, Analysis and Future Plans
The goal was not achieved.

Regulations
DOL published milestones for 17 regulatory initiatives deemed "major" during the fiscal year, all of which contained the required quantitative analyses. ESA's Wage and Hour Division has completed drafting a final rule to clarify and update child labor regulations and reflect changes in the workplace and recent amendments to the law. These changes will eliminate confusion about the current law and assist employers, youths and their parents understand current federal child labor laws. The Wage and Hour Division also completed an update of the overtime regulations covering "white collar" workers, which are intended to reduce confusion and unnecessary litigation over the old rules while improving protections for workers. OSHA has begun a long-term effort to update standards that either reference or include language from outdated consensus standards. OSHA also reviews, at least once every three years, all of their reporting and recordkeeping requirements under the Paperwork Reduction Act of 1995. Both EBSA and OSHA are engaged in reviews of the relative benefits and burdens of existing regulations in accordance with Executive Order 12886 and section 610 of the Regulatory Flexibility Act. OSHA is currently conducting reviews on standards affecting occupational exposure to ethylene oxide and excavations. EBSA is also conducting reviews on the benefits and burdens of the procedures required before health and pension plan benefit providers are granted exceptions from certain transactions, including loans to benefit plan participants. The OSHA and EBSA review items are scheduled for completion in FY 2005. The review process allows opportunities for public input, where appropriate, on both the selection of regulations for review and the outcomes of reviews.

The Fall Regulatory Agenda, to be published in late November 2004, will have 81 items on it, many of which continue agency efforts to meet statutory requirements and update obsolete standards. With input from all the DOL agencies, OASP also drafted a Federal Register notice requesting input from the public that can help agencies prioritize regulations for review and possible changes. This Notice will be published for a 60-day comment period in the fall 2004.

Women's Bureau Flex-Options for Women: Approximately 41 women-owned businesses, assisted by 77 corporate mentors, have developed a workplace flexibility policy/program for their workforces. The target of enlisting 40 corporate mentors was exceeded. The target of reaching 80 women-owned businesses has not yet been attained. The Bureau is confident that the goal of identifying 80 newly initiated flex-options programs/policies will be reached by December 2004.

ODEP Telework Grants
ODEP is investigating, developing and validating strategies that may increase the Department's understanding of how telework can be used as an employment option for people with disabilities. This will be accomplished by issuing grants to research and develop comprehensive telework models. The grant solicitation closed on August 9, 2004. The projects will have a 36-month period of performance, to investigate, develop, and validate strategies likely to yield the largest number of telework positions for people with disabilities.

Management Issues
In accordance with the FY 2000 Treasury and General Government Appropriations Act, OMB publishes an annual Report to Congress on the Costs and Benefits of Federal Regulations. For the last several years the reports have included lists of regulations nominated by the public for their need of reform. Examples of nominated regulations enforced by the Department of Labor have been the Wage and Hour Division's overtime compensation regulation, OFCCP's Equal Opportunity Survey, MSHA's Explosives standard, and OSHA's Metalworking Fluids initiative. The OMB reports also include each agency's response to previous nominations. Possible responses include: work is already underway; issue will be added to the agenda as resources permit; agency is undecided; or agency will not pursue the suggestion.

MSHA engaged a consultant to conduct an independent evaluation in order to determine how the agency could systematically select and prioritize regulations for review. This evaluation, *Selecting Regulations for Regulatory Review*, by ICF Consulting was completed in April 2004. The agency is currently evaluating the recommendations. Appendix 2 contains a detailed summary of the evaluation.

EBSA is establishing a regulatory review program that will set forth a process for identifying initiatives for review, for providing for the evaluation of cost and benefits of identified regulations and exemptions and, to the extent legally permissible, modifying or eliminating those rules for which the costs and burdens outweigh the attendant benefits. Once established, the agency will apply the program's methodology to its regulations and prioritize specific ones for review.

Departmental Management

Maintaining a Strategic Management Focus

The President's Management Agenda (PMA), announced in 2001, consists of reforms aimed at achieving a Government that is citizen-centered, results-oriented, and market-based. The five government-wide initiatives included in the agenda are Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, Expanded Electronic Government, and Budget and Performance Integration. DOL's four Departmental Management outcome goals correspond to the first four initiatives (see table below). Two DOL agencies provide leadership for accomplishing these goals: the Office of the Chief Financial Officer (OCFO) and the Office of the Assistant Secretary for Administration and Management (OASAM). However, all DOL agencies contribute to overall management performance.

In FY 2004, the Department achieved eight, substantially achieved three, and did not achieve one of its management performance goals. Human Resources and Procurement functions stood out by achieving or substantially achieving all goals for the year; highlights were an injury and illness case rate less than half of that experienced in FY 2000-2001, and use of performance-based service contracting at a rate more than 50 percent above target. OCFO launched its managerial cost accounting project on a very ambitious schedule and made commendable progress toward its goal while maintaining high standards in its traditional roles. In the information technology arena, DOL missed its target for paperwork reduction but implemented a new e-procurement system, enhanced security, and made significant improvements in its management of capital investments.

Outcome Goal HR − Establish DOL as a Model Workplace 4 performance goals achieved & 1 substantially achieved	
OASAM quality workforce (HR1) – substantially achieved	DOL completed competency models for all 27 mission-critical occupations and a skills inventory tool is in place for assessing skill gaps.
OASAM lost workdays (HR2) – achieved	As of third quarter FY 2004, the Department was achieving this goal with a rate of 37.3 days lost per 100 employees (target 40.5).
OASAM health case rate (HR3) – achieved	As of third quarter FY 2004, DOL was achieving this goal with a rate of 1.72 total injury and illness cases per 100 employees (target 2.43).
OASAM health lost time (HR4) – achieved	As of third quarter FY 2004, DOL was achieving the goal of 1.19 lost time cases per 100 employees with rate of 1.11.
OASAM workers' compensation (HR5) – achieved	As of third quarter FY 2004, the average is 88.1% of claims filed on time, against at target of 88%.
Outcome Goal PR – Improve Procurement Management 1 performance goal achieved & 1 substantially achieved	
OASAM FAIR competitions (PR1) – substantially achieved	DOL held competitions for almost 14% of the FTE listed in DOL's 2000 FAIR Act inventory.
OASAM performance-based contracting (PR2) – achieved	DOL used PBSC techniques for 67% of total eligible service contracting dollars.
Outcome Goal FM – Enhance Financial Performance through Improved Accountability 1 performance goal achieved & 1 substantially achieved	
OCFO accurate and timely (FM1) – substantially achieved	DOL received its eighth consecutive unqualified audit opinion on its consolidated financial statements and substantially complied with applicable federal financial management standards.
OCFO integrated management (FM2) – achieved	OCFO developed a DOL-wide managerial cost accounting capability and completed cost models for 15 DOL agencies.

Outcome Goal IT – Provide Improved, Secure IT Service to Citizens, Businesses, Government, and DOL Employees to Improve Mission Performance 2 performance goals achieved & 1 not achieved	
OASAM e-government (IT1) – not achieved	The e-procurement system was implemented in both the National and Regional Offices for 14 DOL component agencies, but DOL did not reach its paperwork elimination target of automating 100 percent of designated manual processes.
OASAM cyber security (IT2) - achieved	DOL reached targets regarding Cyber Security System tests and evaluations and internal computer security incident response reporting.
OASAM capital planning (IT3) - achieved	All targets were reached. Rollout and migration of DOL's new tool for electronic capital planning and investment management was achieved in the 2nd quarter of FY 2004. DOL also reached its target of IT initiatives operating within 10% of cost, schedule, and technical performance parameters.

The Administration's Executive Branch Management scorecard, a quarterly assessment of Federal agencies' implementation of the President's Management Agenda (PMA), is another measure of the Department's progress in these areas. In FY 2004, DOL's status scores on all five government wide initiatives were elevated. The Department earned "green" in Human Capital, Financial Performance, E-Government and Budget and Performance Integration and "yellow" in Competitive Sourcing. This result is consistent with our record of goal achievement in qualitatively indicating progress in management practices at DOL for FY 2004. For more information about accomplishments with respect to the PMA, see the section devoted to that topic in the Executive Summary of this report.

Results for the outcome goals listed above are discussed in more detail on the following pages.

Outcome Goal HR – Establish DOL as a Model Workplace

DOL is committed to recruiting, developing, and retaining a high-quality, diverse workforce that effectively meets changing mission requirements and program priorities. Through workforce analysis and planning, we identify human capital requirements to meet our organizational goals and needs, so that the right people are in the right place at the right time. Workforce planning reduces distance between DOL decision-makers and our customers, enhances front-line service delivery, addresses current and projected staff shortages, assures employees have the skills critical to their current positions and are prepared to progress to higher levels of responsibility, and anticipates changes to staff and competency requirements. Employees in occupations no longer necessary as a result of technology or changing business practices are afforded the opportunity to be retrained, and succession planning and other planned management approaches to an aging workforce will be pursued.

DOL remains committed to assuring safe and healthful workplaces for our employees and Job Corps students, and to reduce human costs associated with workplace injuries and illnesses. We have expanded use of technology to deliver web-based, interactive occupational safety and health training targeted to hazards and conditions contributing to injuries and illnesses. Practices at work sites with lower than average injury rates are being evaluated to determine whether they can be effective elsewhere.

DOL achieved all five performance goals, and earned a "green" status score for Strategic Management of Human Capital in the latest President's Management Agenda Scorecard.

Goal (Agency) – Period **Goal Statement [Achievement]**	**Performance Summary**
HR1 (OASAM) – FY 2004 The right people are in the right place at the right time to carry out the mission of the Department. **[Substantially Achieved]**	Competency models were completed for all 27 mission-critical occupations and a skills inventory tool is in place for assessing skill gaps. Diversity continued to improve significantly, overall.
HR2 (OASAM) – FY 2004 Reduce the rate of lost production days due to work related injuries and illnesses by two percent. **[Achieved]**	As of third quarter FY 2004, the Department was achieving this goal with a rate of 37.3 days lost per 100 employees (target 40.5).
HR3 (OASAM) – FY 2004 Reduce the total case rate for injuries and illnesses for DOL employees by three percent. (Total number of cases reported to the Office of Workers' Compensation Programs.) **[Achieved]**	As of third quarter FY 2004, the Department is achieving this goal with a rate of 1.72 total injury and illness cases per 100 employees (target 2.43).
HR4 (OASAM) – FY 2004 Reduce the lost time case rate for injuries and illnesses for DOL employees by three percent. (Number of injury/illness cases reported to the Office of Workers' Compensation Programs that resulted in days away from work.) **[Achieved]**	As of third quarter FY 2004, the Department is achieving the goal of 1.19 lost time cases per 100 employees with rate of 1.11.
HR5 (OASAM) – FY 2004 Improve the timeliness of filing notices of injuries and illnesses with the Office of Workers' Compensation Programs. **[Achieved]**	The target is 88% of claims filed on time. As of third quarter FY 2004, the average is 88.1%.

Results Summary
Of the five goals listed, DOL substantially achieved Goal HR1 and achieved Goals HR2-5. A major goal of the DOL's workforce planning efforts is to meet the objectives contained in the Strategic Human Capital Management section of the President's Management Agenda. To further that effort, we developed a human capital scorecard, modeled on the OMB scorecard, to assess the progress being made by DOL Agencies in human capital management, including tracking the status of restructuring initiatives. We also developed core competencies for its mission critical occupations and analysis of workforce skills in mission critical occupations. We focus on succession management to address the impending exodus of senior level managers and employees minimizing the impact via succession planning programs such as the Senior Executive Service Development, Management Development, Mentoring, and MBA Outreach programs.

We fully recognize the importance of recruiting and maintaining a diverse workforce representative of the general civilian labor force. DOL continues to build upon its aggressive outreach and recruitment efforts to attract a highly skilled and diverse workforce including persons with disabilities and uses multiple Departmental/Office of Personnel Management hiring authorities and flexibilities, learning opportunities, and workplace flexibilities to maintain its current workforce.

DOL focuses intently on successful implementation of the Safety, Health and Return to Employment (SHARE) Presidential Initiative led by the Occupational Safety and Health Administration and the Office of Workers' Compensation Programs. Reducing the number of days away from work due to work related injuries or illnesses results in reduced workers' compensation costs and increased productivity and responsiveness on the part of DOL employees. DOL organized an interagency workplace safety group, which developed and implemented several recommendations. Reducing the total number of injury/illness cases results in a decrease in workers' compensation costs and an increase in productivity.

DOL's Office of the Assistant Secretary for Administration and Management (OASAM) strives to reduce work related injuries and illnesses by conducting accident analysis and focusing on hazard recognition and control, emergency preparedness, and ergonomics. OASAM developed a standardized hazard reporting protocol and uses its web page (LaborNet) to effect electronic hazard reporting. The agency is also developing an electronic, web-based comprehensive safety inspection checklist with corresponding training to ensure all persons who conduct annual safety inspections have the knowledge and tools to accurately identify workplace hazards. Increasing the timeliness of reporting workers' compensation claims ensures injured employees' medical and compensation costs are paid promptly. Emphasis will continue to be placed on ensuring employees' timely use of our electronic workers' compensation filing system to report injuries and illnesses.

Office of Safety and Health's Ergonomics Assistance Room held an Open House during DOL's Safety Day. Here, Kim Ross, (left) of OASAM's Office of Safety and Health, demonstrates a variety of worksite devices that are used to improve and enhance worksite ergonomics, reduce worker injury, and provide accommodation options for return to employment for Pat C. Clark, OASAM. **Photo credit: Max Krupka and Neshan Naltchayan**

Reducing lost time injury/illness cases results in an increase in productivity, enhanced responsiveness, and quality of service to the taxpayer because resources are not diverted to injured employees. DOL addresses workplace safety by equipping supervisors and employees with the knowledge they need to identify and eliminate unsafe working conditions and to promote safety management. In addition, DOL is developing an electronic, web-based comprehensive safety inspection checklist with corresponding training to ensure all persons who conduct annual safety inspections have the knowledge and tools to accurately identify workplace hazards.

Increasing the timeliness of reporting workers' compensation claims ensures injured employees' medical and compensation costs are paid promptly. Emphasis will continue to be placed on ensuring employees use the Department's electronic workers' compensation filing system to report injuries and illnesses. Management will continue to emphasize timely workers' compensation claims reporting in the coming years.

Future Challenges

DOL is continuing to use contract services to assist with the return to employment effort and implementing electronic hazard identification training to ensure accurate safety inspections. Current enhancements to DOL's electronic Safety and Health Information System will ensure accurate injury/illness data. Using such existing data will assist management in targeting reduction of hazards that contribute to work related injuries and illnesses.

Hire a High-Quality and Diverse DOL Workforce

Performance Goal HR1 (OASAM) – FY 2004

The right people are in the right place at the right time to carry out the mission of the Department.

A. The DOL workforce is a prepared and competent workforce.
B. The DOL workforce is a diverse workforce.

Indicators
DOL will graduate, place or certify 75% of employees from its management and leadership development programs;

Competency assessment tool will be piloted and competency gap analysis completed for 10% of employees in mission-critical or supervisory occupations;

Improvement will be realized in 25% of diversity indictors for professional and administrative occupations exhibiting under-representation in FY 2003;

Continued improvement is realized in the extent to which diversity in the DOL workforce reflects the civilian labor force; and

Diversity will be improved among management officials and supervisors.

Program Perspective
The Department is committed to recruiting, developing, and retaining a high-quality, diverse workforce that effectively meets changing mission requirements and program priorities. Through workforce analysis and planning, DOL identifies the human capital requirements to meet our organizational goals and needs, so that DOL has the right people with the right skills and competencies.

Workforce planning is directed towards addressing current and projected staff shortages, assuring that employees have the skills critical to their current positions and are prepared to progress to higher levels of responsibility, and anticipating changes to staff and competency requirements. DOL focuses on succession management to address the impending exodus of senior level managers and employees minimizing the impact via succession planning programs such as the Senior Executive Service Development, Management Development, Mentoring, and MBA Outreach programs.

The Department fully recognizes the importance of recruiting and maintaining a diverse workforce representative of the general civilian labor force. DOL continues to build upon its aggressive outreach and recruitment efforts to attract a highly skilled and diverse workforce including persons with disabilities and uses multiple hiring authorities and flexibilities, learning opportunities, and workplace flexibilities to maintain its current workforce.

Results, Analysis and Future Plans
The DOL workforce is a prepared and competent workforce.
This target was exceeded for both indicators. Competency models have been completed for all 27 mission-critical occupations and a skills inventory tool is in place for assessing skill gaps. The Department is conducting a comprehensive skills inventory of employees in mission-critical occupations with 84.8 percent of employees completed and the remainder projected for completion by the end of FY 2005. DOL is building a strong cadre of trained Senior Executive and Management level employees to meet continuing leadership needs. Current leadership training programs produced 49 Senior Executive and 37 mid-level graduates prepared to fill leadership roles. Three MBA Fellows Program classes have hired 45 Fellows with business skills essential to DOL's success and 118 employees have participated in the Mentoring Program.

The DOL workforce is a diverse workforce.
The target was exceeded for two of three indicators. Pockets of under-representation were identified in a number of the Department's mission-critical occupations. At the end of FY 2003, DOL determined that pockets of under-representation existed in 57 categories, (e.g., Hispanic auditors). DOL improved in 18 categories, or 32 percent,

exceeding its target of 25 percent. Increases occurred in 29 percent of the total workforce diversity groups (target 40 percent) and in 43 percent of the managers and supervisors groups (target 40 percent). The measure for total workforce diversity was impacted by employee separations from one of the groups late in the fiscal year.

	TOTAL	Women	White	Black	Hispanic	Asian / P.I.	Native American/ Alaskan Native	Persons with Disabilities	Persons with Targeted Disabilities
CLF	100%	46.6%	72.4%	11.2%	11.8%	3.8%	0.9%	6.0%	1.1%
FY 2000	16053	7971	10367	3887	1102	532	115	1019	190
	100%	49.7%	64.6%	24.2%	6.9%	3.3%	0.7%	6.5%	1.2%
FY 2001	16193	8119	10490	3899	1115	575	113	1076	196
	100%	49.9%	64.8%	24.1%	6.9%	3.6%	0.7%	6.6%	1.2%
FY 2002	16,135	8,135	10,448	3,849	1,113	616	109	1,072	189
	100%	50.4%	64.8%	23.9%	6.9%	3.8%	0.7%	6.6%	1.2%
FY 2003	16,155	8127	10,458	3,796	1,137	645	119	1,300	218
	100%	50.3%	64.7%	23.5%	7.0%	4.0%	0.7%	8.0%	1.3%
FY 2004	15,708	7,899	10,150	3,691	1,098	655	114	1,988	206
	100%	50.3%	64.6%	23.5%	7.0%	4.2%	0.7%	12.7%	1.3%

DOL will continue targeted recruitment at colleges, universities, and associations in FY 2005 as well as national level job fairs and conferences which have high representation of targeted groups, students with the skills we need, such as MBAs, and organizations and consortiums where the Department has had success in the past. To address retention, DOL will continue to offer succession-planning programs at the SES and mid-management levels and the formal mentoring program, which provide opportunities to close any skill gaps identified during the skills inventory process and offer workplace flexibilities.

The DOL Online Opportunities Recruitment System (DOORS), to be fully implemented in FY 2005, is increasing the efficiency of the Department's hiring system while at the same time simplifying the application process for applicants. DOORS, fully integrated with USAJOBS, is increasing the exposure of DOL's job opportunities to a broader and more diverse audience, resulting in a higher quality of job applicants, reducing the time to fill a position, enabling more consistent and timely diversity reporting, and producing a significant reduction in the costs associated with the hiring process.

Management Issues
DOL has obtained Voluntary Early Out Authority (VERA) with 194 employees using the early-out authority. The Department has increased the use of hiring and retention flexibilities to include: 64 Career Intern and 69 Student Career Experience Program (SCEP) appointments, 21 Outstanding Scholars, 51 Recruitment Bonuses, 35 Relocation Bonuses and Retention Allowances, and 13 Student Loan Repayments. The Department must determine the most effective means of reducing skill gaps identified as employees complete the Department's mission-critical occupations skills inventory assessment tool. Retraining and career counseling must be provided to develop the new skills necessary for employees impacted by competitive sourcing decisions.

Reduce the Rate of Lost Production Days

Performance Goal HR2 (OASAM) – FY 2004

Reduce the rate of lost production days due to work related injuries and illnesses by two percent.t

Indicators
Decrease rate of lost production days by two percent.

Program Perspective
This goal is one of four that DOL uses to measure its successful implementation of the Safety, Health, and Return to Employment (SHARE) Presidential Initiative led by the Occupational Safety and Health Administration and the Office of Workers' Compensation Programs. Reducing the number of days away from work due to work related injuries or illnesses results in reduced workers' compensation costs and increased productivity of DOL employees.

Results, Analysis and Future Plans
DOL's FY 2004 Lost Production Days Rate goal is 40.5 days lost per 100 employees. As of third quarter FY 2004, the Department is achieving this goal with a rate of 37.3, and we are on track to achieve this goal for the third straight year. DOL organized an interagency workplace safety group, which developed and implemented several recommendations: contract with a vendor to provide return to employment assistance for workers' compensation coordinators in developing return to employment strategies; increase the use of injured workers to fill limited or light duty vacant positions; implement Agency safety and workers' compensation program reviews; and enhance the Safety and Health Information System (SHIMS) to include expanded reporting capabilities. In addition, quarterly reports are provided to DOL Agencies on their progress towards achieving their SHARE goals. In FY 2005, DOL is implementing Voluntary Protection Programs as a pilot project at select worksites.

Management Issues
DOL has limited resources to dedicate to hiring and training workers' compensation coordinators. Therefore, we are continuing to use contract services to assist with the return to employment effort. DOL is actively encouraging Agencies to use workplace accommodation flexibilities to return employees to work.

Reduce the Illness and Injury Rate of DOL Employees

Performance Goal HR3 (OASAM) – FY 2004

Reduce the total case rate for injuries and illnesses for DOL employees by three percent. (Total number of cases reported to the Office of Workers' Compensation Programs.)

Indicators
Decrease total case rate of illnesses and injuries by three percent.

Program Perspective
This goal is one of four that DOL uses to measure its successful implementation of the Safety, Health, and Return to Employment (SHARE) Presidential Initiative led by the Occupational Safety and Health Administration and the Office of Workers' Compensation Programs. Reducing the total number of injury/illness cases results in a decrease in workers' compensation costs and an increase in productivity.

Results, Analysis and Future Plans
DOL's FY 2004 Total Case Rate goal is 2.43 total cases per 100 employees. As of third quarter FY 2004, we are achieving this goal with a rate of 1.72. We are on track to achieve this goal for the third straight year. DOL's Office of the Assistant Secretary for Administration and Management (OASAM) strives to reduce work related injuries and illnesses by conducting accident analysis and focusing on hazard recognition and control, emergency preparedness, and ergonomics. The Department has developed a standardized hazard reporting protocol and uses its web page (LaborNet) to effect electronic hazard reporting.

Management Issues
Current enhancements to DOL's electronic Safety and Health Information System will ensure accurate injury/illness data. Using such existing data will assist management in targeting limited resources towards reducing and/or eliminating hazards that contribute to work related injuries and illnesses.

Reduce the Lost Time Illness and Injury Case Rate of DOL Employees

Performance Goal HR4 (OASAM) – FY 2004

Reduce the lost time case rate for injuries and illnesses for DOL employees by three percent. (Number of injury/illness cases reported to the Office of Workers' Compensation Programs that resulted in days away from work.)

Indicators
Decrease lost time case rate of illnesses and injuries by three percent.

Program Perspective
This goal is one of four that DOL uses to measure its successful implementation of the Safety, Health, and Return to Employment (SHARE) Presidential Initiative led by the Occupational Safety and Health Administration and the Office of Workers' Compensation Programs and is a new goal for FY 2004. Reducing lost time injury/illness cases results in an increase in productivity, enhanced responsiveness, and quality of service to the taxpayer because resources are not diverted to injured employees.

Results, Analysis and Future Plans
DOL's FY 2004 Lost Time Case Rate goal is 1.19 lost time cases per 100 employees. As of third quarter FY 2004, we are achieving this goal with rate of 1.11. We are on track to achieve this goal in FY 2004.[29] DOL addresses workplace safety by equipping supervisors and employees with the knowledge they need to identify and eliminate unsafe working conditions and to actively promote effective safety management. In addition, DOL is in process of developing an electronic, web-based comprehensive safety inspection checklist with corresponding training to ensure all persons who conduct annual safety inspections have the knowledge and tools to accurately identify workplace hazards.

Management Issues
DOL has limited resources to hire and train occupational safety and health specialists. Therefore, DOL is implementing electronic hazard identification training to ensure accurate safety inspections. In addition, DOL is conducting Job Corps Center annual safety reviews by contract to ensure consistency and uniformity.

[29] Performance results for this goal are estimated. The estimating methodology has been reviewed by the Department of Labor's Office of Inspector General. The actual performance results for this goal will be published in the FY 2006 Budget.

Make Timely Filings of DOL Employee Injury and Illness Cases

Performance Goal HR5 (OASAM) – FY 2004

Improve the timeliness of filing notices of injuries and illnesses with the Office of Workers' Compensation Programs.

Indicators
Increase in timeliness of reporting new injuries and illnesses by five percent.

Program Perspective
This goal is one of four that DOL uses to measure its successful implementation of the Safety, Health, and Return to Employment Presidential (SHARE) Initiative led by the Occupational Safety and Health Administration and the Office of Workers' Compensation Programs. Increasing the timeliness of reporting workers' compensation claims ensures injured employees' medical and compensation costs are paid promptly.

Results, Analysis and Future Plans
DOL's FY 2004 timeliness goal is to have 88 percent of claims filed on time. As of third quarter FY 2004, we are achieving an 88.1 percent average in reporting injuries and illnesses to OWCP on time. We are on track to achieve this goal for the third straight year.[30] Emphasis will continue to be placed on ensuring employees use the electronic workers' compensation filing system to report injuries and illnesses. Implementation of the Safety and Health Information Management System (SHIMS) in FY 2001 has ensured prompt accurate claims filing and greatly enhanced the Department's timeliness over the past three years. Management will continue to emphasize timely workers' compensation claims reporting in the coming years. This will, in turn, ensure DOL continues to meet the ever increasing timeliness goal.

Management Issues
The Employment and Training Administration's (ETA) Job Corps Program accounts for the greatest number of injuries and illnesses reported to the Office of Workers' Compensation Programs. Many of these Job Corps Centers are located in remote areas and, therefore, have difficulty transmitting data electronically. By restructuring the SHIMS electronic notification process to include the Job Corps National Office and emphasis on training in SHIMS use by ETA management, the timeliness of injury/illness claims reporting has been greatly improved. DOL anticipates that the timeliness of injury/illness reporting will continue to improve with these enhancements in place.

[30] Performance results for this goal are estimated. The estimating methodology has been reviewed by the Department of Labor's Office of Inspector General. The actual performance results for this goal will be published in the FY 2006 Budget.

Outcome Goal PR – Improve Procurement Management

For FY 2004, the Department's leadership determined that the most effective way to demonstrate it has improved procurement management is to more thoroughly introduce market forces into the Department's purchase of goods and services. Previously, the vast majority of the Department's administrative and management activities were provided by an entirely Federal workforce. Now, for those activities that the Federal Activities Inventory Reform (FAIR) Act inventory determines are available in the commercial marketplace, Federal and commercial providers compete to determine the most cost-effective means of service delivery. This approach is called competitive sourcing. Additionally, the previous methods for compensating the Department's contractors included the level of effort, the kinds of processes, and the skills of the contractors. Through Performance-Based Service Contracting (PBSC), contractors are instead compensated strictly according to the results they produce. PBSC aligns the Department's desire to receive high quality and completed services with contractors' incentives to increase revenue.

The Department's use of competitive sourcing and PBSC demonstrate that its purchase of services relies on the market forces of competition and incentives. Their use also demonstrates improved procurement management, as the Department can now purchase equivalent or better services for less money. The table below capsulizes performance goals and achievements supporting this outcome goal.

Goal (Agency) - Period **Goal Statement [Achievement]**	**Performance Summary**
PR1 (OASAM) – FY 2004 Complete competitions on not less than 15 percent of the FTE listed on DOL's 2000 Federal Activities Inventory Reform (FAIR) Act inventory. **[Substantially Achieved]**	The target was substantially reached. DOL's cumulative competitions for FTE listed in its 2000 FAIR Act inventory approached 14 percent.
PR2 (OASAM) – FY 2004 Award contracts over $25,000 using Performance-Based Service Contracting (PBSC) techniques for not less than 40 percent of total eligible service contracting dollars. **[Achieved]**	The target was reached. The Department used PBSC techniques for 67 percent of total eligible service contracting dollars.

Results Summary
DOL substantially achieved its FAIR Act inventory goal by nearly reaching its target to compete no less than 15 percent of the FTE listed on the inventory. The Department held competitions for almost 14 percent of these FTE. DOL awarded 67 percent of total eligible service contracting dollars (for contracts over $25,000) using PBSC techniques; the target was 40 percent.

Future Challenges
DOL will continue to ensure that FAIR Act competitions are conducted in accordance with applicable obligations between labor and management and existing personnel regulations. While this presents a challenge, it is surmountable if statutory provisions are properly followed and if DOL management works closely with unions and human resources staff. DOL has assigned human resource specialists to assist competitive sourcing staff in this effort. Another challenge is the substantial upfront costs of public-private competitions. Given the lasting savings the competitions will yield, however, these initial expenditures are really investments rather than costs; especially considering that the resulting savings can be used for other program improvements.

The challenge associated with PBSC is developing expertise required to develop and oversee performance-based contracts. DOL will continue offer training in these areas so that PBSC will deliver on its promise to lower costs while improving services.

Complete FAIR Act Competitions

Performance Goal PR1 (OASAM) – FY 2004

Complete competitions on not less than 15 percent of the FTE listed on DOL's 2000 Federal Activities Inventory Reform (FAIR) Act inventory.

Indicators
Percentage of commercial FTE on the Department's 2000 FAIR Act inventory included in completed competitions or direct conversions;

Percentage of Direct Conversions;[31] and

Percentage of Completed A-76 Competitions.

Program Perspective
Competitive sourcing is one of five government wide initiatives of the President's Management Agenda. Under competitive sourcing, executive agencies identify activities that are available in the commercial marketplace but that are currently performed by Federal employees. Federal and commercial providers then compete to determine the most cost-effective means of service delivery.

The government spends billions of dollars every year for commercial services provided by government employees. Competition can easily result in savings of an average of 30 percent, whether government employees or private sector employees ultimately do the work. These savings can be re-invested in pursuit of the agency mission. This means there is enormous potential for more productive use of available funding, with no reduction in quality of service. It makes sense to periodically evaluate whether or not any organization is organized in the best possible way to accomplish its mission. This self-examination is the fundamental purpose public-private competition is intended to achieve. For FY 2004, DOL established a target of competing 15 percent of its Federal Activities Inventory Reform (FAIR) Act inventory.

Results, Analysis and Future Plans
The goal was substantially achieved. By the end of FY 2004, DOL had competed or directly converted to contract 386 commercial FTE, constituting almost 14 percent of commercial FTE on DOL's 2000 FAIR Act inventory. This included almost 100 FTE that were competed in six streamlined and standard competitions in FY 2004. The full implementation of these market-based initiatives will significantly enhance the effectiveness and efficiency of the Department of Labor's (DOL) service to all Americans.

DOL has also developed plans for competition of at least an additional 376 FTE in FY 2005, and for competition of virtually all of DOL's commercial-competitive functions by the end of FY 2007, consistent with guidance from the Office of Management and Budget. To ensure that DOL's scheduled competitions are completed within the given timeframes in the coming years, DOL will continue to:

- establish specific, detailed competition schedules;
- monitor competition progress to ensure timely completion;
- designate individuals within DOL agencies who are responsible for competition progress; and
- make technical assistance available to managers and teams involved in competitions and other competitive sourcing-related activities.

[31] Direct Conversion of work to the private sector is no longer allowed under OMB Circular A-76, Performance of Commercial Activities.

Management Issues
The performance data for this goal are extremely reliable. The indicator is the percentage of public-private competitions completed, and the completion date of a competition is reflected in an announcement on the website *FedBizOpps.gov*, which indicates whether the award went to the Federal government or to a commercial provider.

Because Federal agencies will always have a need to explore ways to better accomplish their missions and stretch their budgets, competitive sourcing will continue to serve as a valuable tool for DOL management. However, DOL must continue to recognize and address challenges and risks to full implementation of its competitive sourcing plans. Ensuring that competitions are conducted in accordance with applicable obligations between labor and management and existing personnel regulations could present a challenge. However, this challenge is controllable if statutory provisions are properly followed and if DOL management utilizes effective practices, such as working closely with unions and human resources staff. DOL has assigned human resource specialists to assist competitive sourcing staff in this effort.

Additionally, due to the substantial upfront costs of public-private competitions, particularly for the expertise of outside contractors, DOL must continue to marshal necessary resources to support competitions. Over time, agencies will begin to realize the savings resulting from competitions, which can be used not only to support additional competitions but also can be used for other program improvements.

Ensure Performance Results Are Achieved Through Contracts

Performance Goal PR2 (OASAM) – FY 2004

Award contracts over $25,000 using Performance-Based Service Contracting (PBSC) techniques for not less than 40 percent of total eligible service contracting dollars.

Indicators
Dollar Value of Performance-Based Contracts over $25,000 awarded.

Program Perspective
In March 2001, the Office of Management and Budget (OMB) established a performance-based service-contracting goal for Federal agencies. This goal is based on the goals established under the Government-Wide Acquisition Performance Measurement Program, developed by the Procurement Executives Council. Performance-based service contracting methods result in procurement efficiencies by ensuring contractors are paid for the actual level of service that the government receives. Performance-based contracts describe requirements in terms of results rather than methods of performance of work; emphasizing objective, measurable performance requirements and quality standards in developing statements of work, selecting contractors, determining contract type and incentives, and performing contract administration. Performance-based service contracting is a tool that offers improved contractor performance and mission attainment, significant cost savings, and implementation of the principles of streamlining and innovation of the President's Management Agenda as well as the Government Performance and Results Act.

Since 2001, DOL has had a performance goal to expand the application of performance-based service contracting techniques for DOL contracts. The emphasis is to pay for the results of a contract rather than the effort put forth by the contractor. Very recently, OMB directed all Federal agencies—for FY 2005—to award contracts over $25,000 using performance-based service contracting techniques for not less than 40 percent of total eligible service contracting dollars. DOL has already exceeded this new government-wide goal. The $25,000 threshold is a practical criterion, because Federal agencies report on contracts above that amount through the General Services Administration's Federal Procurement Data System, which will be used by OMB in determining compliance with its FY 2005 directive.

Results, Analysis and Future Plans
The goal was achieved. As of the end of the 3rd quarter of FY 2004, DOL had used performance-based service contracting techniques for 67 percent of total eligible service contracting dollars. The total obligations of performance-based contracts totaled more than $294 million. DOL will continue to emphasize converting and awarding eligible service contracts over $25,000 using PBSC techniques. DOL will also monitor the dollar value of PBSC contracts to ensure attainment of the PBSC goal.

DOL has encouraged the use of performance-based contracts DOL-wide by providing high-level briefings for senior staff, by scheduling relevant training for procurement and program staff, and by establishing an annual performance goal DOL-wide. DOL will continue to include the use of performance-based service contracting techniques as a performance goal, increasing every year the percentage of contract dollars to be awarded using those techniques. The ultimate objective is for DOL to put in place performance-based service contracts, as appropriate, for all eligible DOL contracting dollars.

Management Issues
The data source for this goal is the Federal Procurement Data System. The performance data are reliable, as the information is collected manually from the contract specialist or/and the contracting officer at the time the procurement action is completed. A procurement analyst in the Department's procurement policy office validates the data before it is transmitted to the Federal Procurement Data Center.

The largest acquisition program at the Department of Labor is the Employment and Training Administration's Job Corps Program. Approximately 70 percent of DOL's acquisition dollars support Job Corps contracts. These acquisitions are for the operation and maintenance of more than 110 Job Corps Centers around the Country, and their related outreach and employment assistance services. Job Corps Center contracts were converted to PBSC by modifying the fee structure to incorporate incentives and penalties for the contractor based on achievement of measurable goals including, but not limited to, the number of students entering employment and student retention in the program. By the end of FY 2005, DOL anticipates converting a majority of the Job Corps contracts to PBSC as the existing contracts expire.

The remaining challenge will be to ensure that other DOL agencies expand their use of performance-based service contracting techniques. DOL will continue to facilitate high-level support for the performance-based service contracting initiative, and will offer additional training sessions to contracting and program management personnel throughout the Department.

Outcome Goal FM – Enhance Financial Performance through Improved Accountability

The Department of Labor is committed to providing timely and accurate financial information to DOL managers and stakeholders, and to ensuring that our business processes are efficient and customer-driven. Here in DOL the collaboration of program and financial managers is key to our ability to manage programs successfully and provide accountability for the resources entrusted to us as a Department. DOL has made strides relative to the President's Management Agenda, including our progress in improving the accuracy and timeliness of financial information and integrating financial and performance management to support day-to-day operations across DOL.

The Office of the Chief Financial Officer (OCFO) provides integrity and stewardship of the Department's financial resources. OCFO provides comprehensive direction to all DOL agencies on financial management policies arising from legislative and regulatory mandates. FFMIA requires agencies to implement and maintain financial management systems that substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. The Government Management Reform Act (GMRA) requires each agency to prepare and submit audited financial statements. The financial statements must comply with the Office of Management and Budget's Bulletin 01-09, Form and Content of Agency Financial Statements, as amended.

In addition, OCFO provides guidance, assistance, and oversight in implementing the Cost Analysis Manager (CAM) in each agency. OCFO specifically provides training to agencies on how to use the CAM cost model to support day-to-day operations across DOL. OCFO also provides assistance to agencies on how to maintain and update CAM within each agency so that it can provide up-to-date and useful information.

Goal (Agency) - Period **Goal Statement [Achievement]**	**Performance Summary**
FM1 (OCFO) – FY 2004 Improve the accuracy and timeliness of financial information. **[Substantially Achieved]**	DOL received its eighth unqualified audit opinion on its consolidated financial statements from the Office of Inspector General. All 17 DOL financial management systems substantially comply with the FFMIA standards. We also received the Certificate of Excellence in Accountability Reporting for the fourth consecutive year.
FM2 (OCFO) – FY 2004 Integrate financial and performance management to support day-to-day operations across DOL. **[Achieved]**	OCFO developed a Department wide managerial cost accounting capability, completing cost models for 15 DOL agencies, and conducting briefings and training for agency heads and executive staff.

Results Summary

Of the two performance goals listed, DOL achieved one and substantially achieved the other. The Department received its eighth unqualified audit opinion on its consolidated financial statements from DOL's Office of Inspector General. DOL has reviewed and determined that all 17 financial management systems substantially comply with the FFMIA standards. In addition, the Departments continues to comply with the Federal Managers' Financial Integrity Act (FMFIA) ensuring that its' resources are sufficiently safeguarded. DOL issued its annual financial statements, related notes, and supplemental information by the statutory deadline and also received the Certificate of Excellence in Accountability Reporting for the fourth consecutive year.

OCFO developed a Department-wide managerial cost accounting capability. In FY 2004, cost models were completed for 15 DOL agencies. These models define and cost, on a total and per unit basis, the significant outputs of each agency's major programs. CAM results briefs were provided for agency heads and executive staff. OCFO will continue work with agencies to fully deploy a managerial cost accounting system. Training for agency managers on using CAM for management decision-making is planned. OCFO expects to continue to improve agency cost models by refining resource and activity assignments, adding and revising outputs, improving allocation of overhead and support costs, and further mapping of outputs to performance goals. Automation of data collection and standard report preparation are also planned.

To improve financial performance under the President's Management Agenda, DOL partners with the Social Security Administration to share data that will reduce erroneous benefit payments in the Unemployment Insurance Program. Pictured are officials from DOL and the Social Security Administration signing a partnership agreement.
Photo credit: OCFO

Future Challenges
To meet the challenges of the 21st Century work environment, DOL recognizes that it must continue to be a proactive, analytically-driven organization that leverages technology to provide the Department's leaders with the financial information necessary to make decisions about performance of their programs.

In FY2005, OCFO will lead the effort to enhance managerial cost accounting data models, improve automated reporting capability, improve interface of agency program systems with CAM, integrate agency cost models on a department level, and provide technical support to agency managers.

Maintain the Integrity and Stewardship of the Department’s Financial Resources

Performance Goal FM1 (OCFO) – FY 2004

Improve the accuracy and timeliness of financial information.

Indicators
Maintain an unqualified (clean) audit opinion with no material internal control weaknesses;

Meet new requirements and standards in accordance with the Federal Financial Management Improvement Act (FFMIA) and Federal Managers’ Financial Integrity Act (FMFIA);

Issue FY 2003 consolidated financial statements by February 1, 2004;

Issue quarterly financial statements within 45 days after the close of each quarter; and

Identify and correct processes and systems that contribute to erroneous benefit overpayments.

Program Perspective
OCFO provides comprehensive direction to all DOL agencies on financial management policies arising from legislative and regulatory mandates. FFMIA requires agencies to implement and maintain financial management systems that substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. The Government Management Reform Act (GMRA) requires each agency to prepare and submit audited financial statements that comply with the Office of Management and Budget’s Bulletin 01-09, Form and Content of Agency Financial Statements, as amended.

Results, Analysis and Future Plans
This goal was substantially achieved. The Department received its eighth unqualified audit opinion on its consolidated financial statements. This opinion provides assurance that no material weaknesses or inadequacies in internal controls would affect the Department’s financial statements. All 17 DOL financial management systems substantially comply with the FFMIA standards. In addition, DOL continues to comply with the Federal Managers’ Financial Integrity Act (FMFIA), ensuring that its resources are sufficiently safeguarded. DOL issued its annual financial statements, related notes, and supplemental information by the statutory deadline, and issued all quarterly statements 45 days after the close of the first quarter and 21 days after each quarter thereafter. The Department also received the Certificate of Excellence in Accountability Reporting for the fourth consecutive year. During FY 2005, DOL will continue implementing a new core accounting system by completing the design phase and using live data.

DOL complying with the Improper Payments Information Act (IPIA) and strengthening quality control for all DOL payments not subject to the Act’s reporting requirements. OCFO developed an inventory of programs susceptible to significant risk as defined by IPIA, analyzed existing improper payment mitigation activities vs. IPIA requirements for these at-risk programs and developed a strategy to bridge the gap. The strategy includes developing relevant sampling criteria, sample selection within risk programs, improper payment assessment, and estimation. For many years, DOL has measured the level of erroneous payments in the Unemployment Insurance (UI) program, analyzed the causes and identified the states with the most overpayments. To help states more easily confirm the identities of UI claimants, we arranged for the states and the Social Security Administration to exchange data, and for states to increase use of their own state new hire data. In FY 2005 and beyond, through the implementation of root cause analysis and corrective actions, such as the UI data exchange with SSA to permit real-time social security number validation, we expect to realize significant reductions in improper payments.

Management Issues
DOL is challenged with the task of implementing a new core accounting system that replaces the existing 14-year old ‘Department of Labor Accounting and Related Systems’ (DOLAR$). DOL will fully test the system before, during, and after launch; perform validation and verification of data transferring from the old to the new replacement system; to ensure the system fully meets Federal financial system requirements and users’ needs.

Maintain the Integrity and Stewardship of the Department's Financial Resources

Performance Goal FM2 (OCFO) – FY 2004

Integrate financial and performance management to support day-to-day operations across DOL.

Indicators
Interfaced Department Accounting and Agency program systems provide cost-based performance data; and

Develop and disseminate cost accounting policy and training materials to address issues raised in prior year survey.

Program Perspective
The Office of the Chief Financial Officer (OCFO) provides guidance, assistance, and oversight in implementing the Cost Analysis Manager initiative (CAM) in each agency. OCFO specifically provides training to agencies on how to use the CAM cost model to support day-to-day operations across DOL. OCFO also provides assistance to agencies on how to maintain and update CAM within each agency so that it can provide up-to-date and useful information.

Results, Analysis and Future Plans
The goal was achieved. OCFO undertook the development of a Department-wide managerial cost accounting capability. In FY 2004, cost models were completed for 15 DOL agencies including ETA, ESA OWCP, MSHA, OSHA, EBSA, VETS, ODEP, WB, ILAB, OIG, ASP, OASAM, SOL (BLS already has a cost accounting capability). These cost models, which are the core of the CAM system, combine financial information supplied by the Department's core accounting system (DOLAR$), along with labor distribution and workload data to develop activity and output costs for agencies.

The CAM system provides cost-based performance information, including unit cost information on the significant outputs of each agency's major programs, as well as the underlying activity and resource costs. Unit cost information can be used to compare performance among districts, regions, programs, etc. For example, the MSHA Coal Mine Safety and Health program will compare the cost of inspections across districts, allowing determination of which districts have higher cost activities and outputs. Further investigation will ensue to discover and address causes. As cost models are updated in the future, the CAM system will also allow agencies to use cost information to measure performance over time. In some instances, cost models include the capability to cost agency performance goals.

CAM results briefs were provided for agency heads and executive staff. In FY 2004, approximately 50 employees representing all the participating agencies were trained in managerial cost accounting principles and methodology; these are in addition to approximately 130 employees trained in FY 2003. Additional training is planned for FY 2005 to train agency managers on how to analyze cost information and use it for decision-making. In addition, designated agency staff will be trained on how to update and maintain the models in the CAM system. Software to support periodic updates of the cost models has been selected and deployed to agency desktops.

In FY2005, OCFO anticipates continuing to work with agencies to promulgate adoption of managerial cost accounting. OCFO expects to continue to improve agency cost models by refining resource and activity assignments, adding and revising outputs, improving allocation of overhead and support costs, and further mapping of outputs to performance goals. Automation of data collection (from DOLAR$ core accounting system, agency workload and time tracking systems) and standard report preparation are also planned.

Management Issues
In FY2005, OCFO will lead the effort to enhance managerial cost accounting data models, improve automated reporting capability, improve interface of agency program systems with CAM, integrate agency cost models on a department level, and provide technical support to agency managers.

Outcome Goal IT – Provide Improved, Secure IT Service to Citizens, Businesses, Government, and DOL Employees to Improve Mission Performance

Effective management of information technology is critical to the success of nearly every facet of DOL's programs and operations and corresponds to the E-Government initiative of the President's Management Agenda. DOL strives to use information technology to deliver better service to citizens, businesses, other governments, our federal partners and employees. To meet our goals, we are implementing a comprehensive, integrated E-Government framework, taking full advantage of the rapidly changing technological environment and to adapt to changes brought forth by the digital economy.

DOL is a recognized leader in integrating IT capital planning and enterprise architecture activities with broader Federal and Departmental priorities. This integrated approach to managing our information technology portfolio enables us to identify future environments and to ensure IT remains closely aligned with our mission, goals, and objectives. DOL will continue to lead the GovBenefits Presidential Priority Initiative and participate actively in implementing the Federal E-Government Strategy by partnering with other agencies.

Goal (Agency) – Period Goal Statement [Achievement]	Performance Summary
IT1 (OASAM) – FY 2004 E-Government – Utilizing Technology to Improve Service and Efficiency **[Not Achieved]**	The system was implemented in both the National and Regional Offices for 14 DOL component agencies. Substantial progress was also achieved toward the interface with GSA Advantage. Final testing is underway for on-line shopping, which will be available by the end of September 2004. DOL did not reach its GPEA target of automating 100 percent of designated manual processes.
IT2 (OASAM) – FY 2004 Improve the performance of the Department's Cyber Security Program in accordance with the Federal Information Security Management Act (FISMA). **[Achieved]**	The Department reached its Cyber Security Program indicator targets, exceeding projections regarding System Tests and Evaluations and internal Computer Security Incident Response Reporting.
IT3 (OASAM) – FY 2004 Improve organizational performance and effective information management through the use of the Departmental IT Capital Planning Investment Control process. **[Achieved]**	All targets were reached. Rollout and migration of the Department's new tool for electronic capital planning and investment management was achieved. Agencies used the tool to prepare their FY 2006 IT budget submissions. DOL reached its target of initiatives operating within 10 percent of cost, schedule, and technical performance parameters. DOL also reached its target for 95 percent of major IT initiatives completed during FY 2004 to deliver intended benefits.

Results Summary

IT Goals 2 and 3 were achieved, while IT Goal 1 was not achieved. We continue to plan, acquire, and implement new information technology, business solutions, services and capabilities. Our now-operational web-based e-procurement system (EPS) provides a comprehensive toolset for extended acquisition capabilities. It takes advantage of technological advances in order to streamline processes, improve customer service, and reduce costs. Additionally, EPS provides more reliable and accurate department-wide procurement-related financial information. Internal factors impacting the implementation include interfaces with the new DOL property system. The Department's Directory Service will automate data reconciliation and make information in existing directories accessible and re-useable even when the database formats differ. The design calls for the implementation of a metadirectory capable of pulling data from and distributing it to multiple directories based on defined business rules. This capability, after integration into the department's myriad systems, will eliminate mismatches caused when similar information is manually entered into multiple databases. A metadirectory should also eliminate redundant work in maintaining DOL's various electronic directories.

Future Challenges

DOL continues to plan, acquire, and implement new information technology, business solutions, services and capabilities, and will soon fully implement an Earned Value Management System to better manage IT projects while in development.

Make DOL an E-Government Model

Performance Goal IT1 (OASAM) – FY 2004

E-Government - Utilize Technology to Improve Service and Efficiency

Indicators
Automate 100 percent of the manual processes designated under GPEA;

Implement the web-based e-procurement system (EPS) to seven DOL component agencies; and

Establish an Enterprise-wide Directory Service.

Program Perspective
The web-based e-procurement system (EPS) provides a comprehensive toolset for extended acquisition capabilities, by taking advantage of technological advances in order to streamline processes, improve customer service, and reduce costs. EPS provides more reliable and accurate department-wide procurement-related financial information. The Department's Directory Service will automate data reconciliation and make information in existing directories accessible and re-useable even when database formats differ. The design calls for the implementation of a metadirectory capable of pulling data from and distributing to multiple directories based on defined business rules. This will eliminate mismatches caused by manual data entry into multiple databases, and alleviate directory administration burdens.

Results, Analysis and Future Plans
This goal was not achieved. DOL reached the web-based (EPS) target, and the system was implemented in both the National and Regional Offices in 14 DOL component agencies; the target was for implementation in seven agencies. DOL also completed interfacing EPS with 'GSA Advantage'. Our target to establish an enterprise-wide directory services was reached. The directory service, with Windows 2003 Active Directory as its foundation, has moved from its interim design in April 2003 to the target design. This phase of the initiative is fully compliant with the Department's System Development Life Cycle Management, and received its Authority to Operate (ATO) from the Department's Chief Information Security Officer in July 2004. Achieving this indicator simplifies and unifies DOL's many directory functions, including email services. Our GPEA indicator remained at mid-year status of 93 percent, failing to reach the 100 percent target.

Performance Goal IT1 (OASAM) E-Government – Utilizing Technology to Improve Service and Efficiency			
	Result	**Target**	*****
Automate 100% of the Designated GPEA Manual Processes.	93 %	100%	N
Implement Web-based EPS in seven DOL component agencies.	14	7	Y
Establish an Enterprise-wide Directory Service (EDWS).	Y	Y	Y

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

Management Issues
Performance data for this performance goal is based on internal tracking activities for progress on E-Government initiatives, E-Procurement Implementation, and E-Government Workforce efforts. DOL monitors these activities and produces quarterly progress reports. Internal factors impacting the implementation of the EPS include interfaces with the new DOL property system. Also, management will need to focus on interfacing the new property system and EPS with the new financial system. The complexity of the interface and its ability to enable some of the EPS functionality will drive the costs and timing.

Make DOL an E-Government Model

Performance Goal IT2 (OASAM) – FY 2004

Improve the performance of Department's Cyber Security Program in accordance with the Federal Information Security Management Act (FISMA).

Indicators
Ensure that 95 percent of DOL's sensitive systems have been periodically assessed for risk and magnitude of harm that might result from unauthorized access;

Ensure that at least 60 percent of all weaknesses documented in the FY 2004 POA&Ms are closed or on schedule;

Ensure that at least 90 percent of all DOL sensitive systems are fully certified and accredited during FY04;

Ensure that at least 98 percent of all DOL employees and contractors receive annual security awareness training;

Ensure that System Test and Evaluation has been conducted on at least 85 percent of DOL's sensitive systems;

Ensure that at least 50 percent of DOL agencies respond to DOLCSIRC advisories in accordance with the procedures in the DOL Computer Security Handbook;

Ensure that at least 95 percent of all DOL sensitive systems have contingency plans; and

Ensure that at least 50 percent of the contingency plans have been tested.

Program Perspective
The Department is faced with the increasingly difficult challenge of protecting its automated information resources given the ever-increasing number of IT security threats. DOL's Cyber Security Program's purpose is to identify and afford security protections. These protections are commensurate with the risk and magnitude of the harm resulting from the loss, misuse, or unauthorized access to, or modification of information collected or maintained by the Department. Protecting the Department's critical IT resources requires the adoption of reasonable precautions for securing its systems and networks. It also requires quick and effective response if system and network security defenses are breached. To that end, the Department's Cyber Security Program must be one that is comprehensive and inclusive of internal policies and guidelines that ensure the integrity, availability, confidentiality and security of its operations and assets.

In providing the protections mentioned above, the Cyber Security Program must provide an effective means for measuring and enhancing its information security program performance and must ensure its compliance with the Federal information Systems Management Act (FISMA).

Results, Analysis and Future Plans
DOL achieved its Cyber Security Program performance goal. DOL will reach targets for system tests and evaluations and for internal computer security incident response reporting.

Performance Goal IT2 (OASAM) Improve the performance of Department's Cyber Security Program in accordance with the Federal Information Security Management Act (FISMA)			
	Result	**Target**	*****
1. Percent of DOL's sensitive systems that have been periodically assessed for risk and magnitude of harm that might result from unauthorized access.	95%	95%	Y
2. Percent of all weaknesses documented in the FY 2004 Plan of Actions and Milestones (POA&Ms) closed or on schedule.	65%	60%	Y
3. Percent of all DOL sensitive systems fully certified and accredited during FY 2004.	94%	90%	Y

Performance Goal IT2 (OASAM) Improve the performance of Department's Cyber Security Program in accordance with the Federal Information Security Management Act (FISMA)			
4. Percent of all DOL employees and contractors that receive annual security awareness training.	98%	98%	Y
5. Percent of DOL's sensitive systems for which a System Test and Evaluation was conducted.	94%	85%	Y
6. Percent of DOL agencies that respond to **C**omputer **S**ecurity **I**ncident **R**esponse **C**apability (DOLCSIRC) advisories in accordance with the procedures in the DOL Computer Security Handbook.	60%	50%	Y
7. Percent of all DOL sensitive systems with contingency plans.	98%	95%	Y
8. Percent of contingency plans tested.	52%	50%	Y

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

DOL has continually improved the performance of its Cyber Security Program. According to the Federal Computer Security Report Card issued by Congress, the Cyber Security Program has progressed from a grade of "F" in 2000 and 2001, to a grade of "C+" in 2002. The current grade (assessed in 2003) is a "B."

Indicator three, relating to certification and accreditation, has the greatest importance to the achievement of greater IT security. Certifying and accrediting major information systems gives the Department a level of assurance that the Cyber Security Program is operating effectively. There are no planned changes to the goals or indicators for FY 2005. However, because IT security is crucial, targets for each of the indicators will be more ambitious.

The Security program is integrated into all Departmental program areas such as the Enterprise Architecture, Capital Planning and Investment Control, the System Development Lifecycle, and our strategic plan. The Department is committed to its Computer Security Program, and will continue to ensure that resources are adequately allocated for the proper protection of our information systems.

Management Issues

OIG identified three reportable conditions related to IT security:

1. The Department lacks strong logical security controls to secure the Department's data and information;
2. The Department has not developed and performed comprehensive tests of all continuity of operations/disaster recovery plans for critical systems and processes; and
3. The Department has not corrected all known vulnerabilities associated with its systems.

The Office of the Chief Information Officer (OCIO) has completed several actions to mitigate the vulnerabilities associated with these reportable conditions. These actions include, but are not limited to:

1. Advising senior management to give priority attention and resources to their agency specific conditions;
2. Establishing focus group to leverage agency expertise to develop action plans to address the systemic issues;
3. Performing a comprehensive review of applicable Departmental policies and procedures; and
4. Making necessary revisions.

The performance data used by the OCIO Security team is reliable and complete. The metrics used are those required by OMB. Performance data is gathered on a quarterly basis from DOL agencies and is validated by the OCIO Security team via internal verification and validation processes, quarterly Capital Planning and Investment Control reviews, and e-Government reviews. The OCIO Security team also performs reviews of its own internal processes and procedures to ensure the efficiency and effectiveness of the Department's Cyber Security Program, thus ensuring the completeness of the performance data.

DOL has made considerable progress on all reportable conditions. The only risk to achieving its goal is the lack of funding for comprehensively testing contingency plans. The OCIO has guided DOL agencies to approach this requirement by developing incremental test plans, which allow economical testing.

For more information on these audits, see Study 8 in Appendix 2.

Sound IT Capital Planning

Performance Goal IT3 (OASAM) – FY 2004

Improve organizational performance and effective information management through the use of the Departmental IT Capital Planning Investment Control process.

Indicators
95 percent of major IT initiatives completed during FY 2004 deliver intended benefits;

87 percent of in-process IT initiatives evaluated operate within 10 percent cost, schedule, and technical performance parameters; and

Rollout and migration to new investment management application for use during the FY 2006 budget cycle.

Program Perspective
The Clinger-Cohen Act requires agencies to use a disciplined capital planning and investment control process to acquire, use, maintain, and dispose of information technology. The Act seeks to improve performance by requiring agencies to clearly define and implement an IT Capital Planning and Investment Control (CPIC) process. This process is comprised of three distinct phases: select, control, and evaluate. The purpose of the CPIC process is to ensure that each IT investment aligns with DOL missions and supports business needs, while minimizing risks and maximizing returns throughout the investment's life cycle. It also allows decision-makers to make prudent evaluations of an investment's costs, benefits, risks and support for the DOL strategic goals and objectives when compared to other competing IT requirements.

In FY 2004, DOL established policy for, and implemented an earned value management system (EVMS) for major IT investments. EVMS routinely captures standardized, detailed information for monitoring cost, schedule and performance of major IT investments over time. By keeping track of this data in a systematic fashion, project managers and DOL management receive timely progress information on IT development projects. DOL management is also able to make informed decisions about projects' direction and the merits of continued investment in specific IT projects. DOL's EVMS is compliant with current standards and guidance from the Office of Management and Budget.

Results, Analysis and Future Plans
This goal was achieved. All targets were reached. Rollout and migration of the Department's new tool for electronic capital planning and investment management was achieved in the 2nd quarter FY 2004. Agencies used the tool to prepare their FY 2006 IT budget submissions. At 93 percent, DOL exceeded the 87 percent target for initiatives operating within ten percent cost, schedule, and technical performance parameters. DOL also reached its target for 95 percent of major IT initiatives completed during FY 2004 delivering intended benefits.

DOL is committed to ensuring that information technology investments are based upon decision criteria that considers risk-adjusted return, emphasizes interoperability, improves delivery of services, and reduces costs. Achieving this goal is key to the success of the capital investment management process. Employing the Electronic Capital Planning and Investment Control (eCPIC) system facilitated the management of Department-wide IT investments and the preparation of budget data for submission to OMB. In addition, the rollout of EVMS produces monthly project data and shows trends over time. DOL will continue to develop goals and indicators, and set targets designed to ensure compliance with the IT Capital Investment Management Process; and support and assist agency managers and analysts in executing the IT capital investment management process through guidance, training, and oversight.

Management Issues

To ensure the reliability of performance data and to ensure that project outcome goals are positively achieved with the cost, schedule, and performance projections, DOL uses a combination of performance-based management mechanisms, including the earned value management system and a quarterly review process. Work Breakdown Structures (WBS) are required and updates are provided to the OCIO upon request. Actual start and completion dates, percentages complete and estimated costs are assessed against each element in the WBS. Based on the information provided, an investment's performance is assessed, and cost and schedule variances are calculated.

To mitigate the risk to project performance, cost and schedule variances are reported to senior management within the Department, and mechanisms have been put in place for addressing projects which exhibit poor performance. Such projects are closely reviewed during periodic reviews with the project manager, and corrective actions are developed and assigned. Progress of corrective actions is frequently checked to ensure that the project is on track.

Financial Section

Chief Financial Officer's Letter

A popular circus performance involves motorcyclists racing around the inside of a steel sphere. Defying gravity and with great precision, the cyclists pass within inches of each other without colliding. Each performer is an expert; yet as a group, the feat becomes possible only through careful planning and close coordination.

Improving financial performance in the Federal government involves similar efforts between the financial community and program managers as we work to make financial information an integral part of decision making. From day-to-day operations to senior management decisions, accurate and timely financial information improves the efficiency and effectiveness of our activities and enhances our accountability to the American people. We have a responsibility to accurately measure the real cost of programs and account for how well the funds entrusted to us have been spent.

Compliance with Federal financial statutes provides an important indicator of accountability. For FY 2004, the Department has received its fourth consecutive Certificate of Excellence in Accountability Reporting from the Association of Government Accountants and eighth consecutive clean audit opinion. These are strong indicators and external validation of the strength of the Department's financial management. For the fourth consecutive year, the Secretary has reported that the Department's systems of accounting and internal controls comply with the Federal Managers' Financial Integrity Act (FMFIA). The Department has no material weaknesses in internal controls as defined by the FMFIA. Similarly, DOL's financial management systems meet the requirements of Federal Financial Management Improvement Act (FFMIA).

These statutory provisions, however, provide just the foundation for good accountability. At the direction of Secretary Chao, over the past year we have instituted a new quarterly financial management attestation process that requires each agency head to acknowledge responsibility for internal controls over the funds entrusted to the agency. This certification must be accompanied by a general operations certification by the agency's administrative officer, and a detailed financial certification by the agency's financial manager. Each quarter, I meet with each agency head and senior executives to discuss the progress of the agency's efforts to resolve open audit findings and discuss ways of preventing new issues. This new process furthers our efforts toward early detection and effective resolution of internal control weaknesses and enhanced accountability. Over the past year, we have worked intensively with program agencies to implement managerial cost accounting, department-wide, through the Cost Analysis Manager (CAM) initiative. This effort improves our ability to report the full costs of programs and activities and facilitates the use of integrated financial and performance information for decision-making across the Department at all levels.

Effective use of financial information can result in more accurate benefit and assistance payments to current recipients. As part of our efforts to reduce improper payments, the Department signed a memorandum of understanding with the Social Security Administration (SSA) to improve the accuracy of payments in the Unemployment Insurance Program. The agreement facilitates the exchange of data between the SSA and State unemployment agencies to eliminate unemployment insurance payment to individuals who have returned to work. DOL has one of the most progressive efforts in the Federal government to proactively improve internal controls and eliminate systemic causes of improper payments.

To make information more readily available in a more useful form, the Department has begun a multi-year initiative to replace our aging core accounting system with a new financial management information system (Labor Accounting Works—LAW). The new system will leverage technology and best-practice business processes to improve information quality, availability, and usefulness to a broad spectrum of managers and decision makers. The Office of the Chief Financial Officer continues to co-lead the government-wide financial management line of business with the Chief Information Officer of the Department of Energy. This effort addresses redundant IT investments and business processes across the government and focuses on business-driven, common solutions developed through IT architectural processes. In efforts such as this agencies government-wide are working together across traditional boundaries rather than focusing on their individual needs to make government more citizen-centered, results-oriented, and market-based.

The Department has actively participated in several e-Gov initiatives. Two areas involving changes to the internal financial management of the Department are e-Travel and e-Payroll. The e-Travel effort will connect the Department to a government-wide, web-based, world-class travel management service. With the selection of an e-Travel service provider this year, the Department will be able to reduce or eliminate capital investments and minimize total cost per travel transaction. The e-Payroll initiative involves the consolidation of twenty-six federal payroll providers across the government. This year the Department pursued a plan that will culminate in the migration of the Department's payroll services to the National Finance Center of the U.S. Department of Agriculture in FY 2005. In coming years, consolidation efforts such as e-Travel and e-Payroll will generate significant savings of tax dollars by reducing operating costs and avoiding costly modernization of duplicative systems.

Under the leadership of Secretary Chao and President Bush, the Department of Labor has made significant progress in improving financial management beyond receiving an unqualified audit opinion. Under the President's Management Agenda, we moved to "green" on the financial management scorecard at the end of FY 2004. We are committed to staying "green" through continued efforts to increase the integration of financial data into Departmental decision making. We are putting in place the controls and programs to improve our accountability to Congress and the American people and to provide our managers with the financial information to improve the efficiency and effectiveness of their programs. We are better prepared than ever to deliver results from a Government that is well run and results-oriented.

Samuel T. Mok
Chief Financial Officer

November 15, 2004

R. NAVARRO
& ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Honorable Elaine L. Chao Secretary of Labor

The *Chief Financial Officers Act of 1990* (CFO Act) requires agencies to report annually to Congress on their financial status and any other information needed to fairly present the agencies' financial position and results of operations. To meet the CFO Act reporting requirements, the United States Department of Labor (DOL), a Department of the United States Government, prepares annual financial statements, which are subjected to audit.

The objectives of the audit are to express an opinion on the fair presentation of DOL's principal financial statements, obtain an understanding of the Department's internal control, and test compliance with laws and regulations that could have a direct and material effect on the financial statements.

Additionally, the objectives include expressing an opinion on DOL's compliance with requirements of the *Federal Financial Management Improvement Act of 1996*, based on an examination.

We have audited the consolidated balance sheets of DOL as of September 30, 2004 and 2003, and the related consolidated statements of net cost, changes in net position, financing, and custodial activity and the combined statements of budgetary resources for the years then ended. These financial statements are the responsibility of DOL's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements.* These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Relationship to the Single Audit Act

The financial statements for the years ended September 30, 2004 and 2003, include:

- costs for grants, subsidies, and contributions primarily with various state and local governments and nonprofit organizations in the amounts of $10.1 billion and $10.5 billion, respectively;

- costs for unemployment benefits incurred by state employment security agencies in the amounts of $41.7 billion and $53.4 billion, respectively;

- state employer tax revenue of $30.1 billion and $24.8 billion, respectively;

- net receivables for state unemployment taxes, reimbursable employers, and benefit overpayments of $1.1 billion and $.8 billion, respectively; and

- reimbursements from state, local, and nonprofit reimbursable employers for unemployment benefits paid on their behalf, in the amounts of $2.4 billion and $2.1 billion, respectively.

Our audits included testing these costs, financing sources, and balances at the Federal level only. Pursuant to a mandate by Congress, the examination of these transactions below the Federal level is primarily performed by various auditors in accordance with the Single Audit Act of 1984, as amended, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The results of those audits are reported to Federal agencies that provide direct grants, and each Federal agency is responsible for resolving findings for its awards.

Opinion on Financial Statements

In our opinion the aforementioned financial statements present fairly, in all material respects, the assets, liabilities, and net position of DOL as of September 30, 2004 and 2003; and the net cost, changes in net position, budgetary resources, reconciliation of net cost to budgetary resources, and custodial activity for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Accompanying Information

Our audits were conducted for the purpose of forming an opinion on the consolidated and combined financial statements of DOL taken as a whole. The accompanying financial information discussed below is not a required part of the principal financial statements.

The supplementary information included in the Management Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections of the Performance and Accountability Report are required by the Federal Accounting Standards Advisory Board and OMB Bulletin No. 01-09. We have applied limited procedures, performed at the Federal level only, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the information. However, we did not audit the information and express no opinion on it.

The information included in the Annual Performance Report, Financial Performance Report, Management and Performance Challenges and the report appendices are presented for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements and, accordingly, we express no opinion on it.

Report on Internal Control

In planning and performing our audit, we considered DOL's internal control over financial reporting by obtaining an understanding of the Department's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may, nevertheless, occur and not be detected. We noted certain matters, discussed in the following paragraphs, involving the internal control and its operations that we consider to be reportable conditions. However, none of the reportable conditions are believed to be a material weakness.

In addition, we considered DOL's internal control over Required Supplementary Stewardship Information by obtaining an understanding of the agency's internal controls, determining whether they had been placed in operation, assessing control risk, and performing tests of controls as required by OMB Bulletin No. 01-02. The objective of our audit was not to provide assurance on these internal controls. Accordingly, we do not provide an opinion on such controls.

Finally, with respect to internal control relating to performance measures included in the Performance Report, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

Reportable Conditions

Current Year Reportable Conditions

Federal Employees Compensation Act (FECA) Medical Benefit Payments

The Employment Standards Administration's (ESA) Office of Workers' Compensation Programs (OWCP) has contracted with a third party, to perform medical bill processing for FECA claimants. The contractor began processing medical bills in September 2003.

Our FY 2004 audit found errors in the processing of medical bills. We tested 358 medical bills paid by the contractor during the period October 1, 2003 to March 31, 2004. Of these 358 bills, we found 35 bills (including duplicate bills related to 5 sample items), were not paid in the correct amount, including 24 overpayments totaling $282,577 and 11 underpayments totaling $34,658. These errors occurred because OWCP did not have a quality assurance and internal audit plan in place prior to implementation of the new system. Without adequate controls over the processing of medical bill payments, OWCP cannot ensure that amounts paid are correctly calculated in accordance with the fee schedules. As a result, medical providers have been overpaid and underpaid, resulting in the medical benefit expense being misstated.

Both prior to and in response to these results, management took steps to correct some of the weaknesses identified. We performed additional testing and found corrective actions taken by management resulted in a reduction in payment errors in the third quarter of the fiscal year.

We recommend that the Chief Financial Officer ensure that the Assistant Secretary for Employment Standards fully implements corrective actions that have been proposed or initiated by OWCP, and that the accounting records are adjusted to reflect identified misstatements. We also recommend that the Chief Financial Officer ensure that the Assistant Secretary for Employment Standards develops a quality assurance plan prior to migration to any significant system or system change.

Management anticipates full implementation of corrective actions in FY 2005, inclusive of policies for quality assurance plans for IT system migrations and changes.

FECA Medical Bill Receivables

We noted during our FY 2004 audit that OWCP and the contractor have not implemented a system to track and record medical bill overpayments (receivables) as required by JFMIP Benefit System Requirements. In addition to the $282,577 of overpayments we identified during our audit, OWCP and the contractor have identified overpayments during the course of the fiscal year, and the contractor has set up an ad-hoc method of tracking and collecting these overpayments.

Management indicated that a delay in the implementation of the new case management system resulted in a delay in the implementation of the Medical Bill Receivable feature. Without an adequate receivable recovery system, collection of receivables cannot be effectively managed and monitored, which could result in the failure to collect recoverable amounts. In addition, these receivables are not being captured in the Department's general ledger, resulting in an understatement of accounts receivable.

We recommend that the Chief Financial Officer ensure that the Assistant Secretary for Employment Standards develops and implements the receivable system for the identification, tracking, and reporting of medical benefit overpayments in accordance with JFMIP requirements and ensure that the accounting records are adjusted to reflect all current receivables.

Management indicated that the case management system, inclusive of the receivable system, will be deployed in FY 2005.

Information Technology (IT) Controls

The Department lacks strong application controls over the access to and protection of financial information. During our application controls testing of the DOLAR$, SPAMIS, FECS, Longshore, and PeoplePower applications that support the financial statements, we tested controls in the following areas: understanding of the application; application access controls; input controls; data processing controls, including exception reporting and problem tracking; and output controls. Specifically, we noted consistent weaknesses across the applications tested in the following application control areas:

- Application password settings
- User access
- Application segregation of duties
- User recertification
- Data input
- Key reports

These weaknesses occurred as a result of incomplete implementation and testing of policies and procedures, weak segregation of duties, guidance and implementation, system and/or resource limitations, and nonperformance of routine housekeeping and maintenance tasks to update systems and processes as the organization or business changes. These application control weaknesses, when taken together, increase the risk that an individual with access to one or more of the applications could input, process, and approve an erroneous transaction and not be detected.

We recommend the Chief Information Officer (CIO) ensure that the specific application control weaknesses identified during the audit and reported in the OCFO, ETA, and ESA Agency Audit reports, as well as the PeoplePower Application Controls Audit reports, are addressed by the individual agencies, and that the Office of the Chief Information Officer develop and/or enforce procedures and controls to address consistent or systemic application control weaknesses on current and future financial management systems.

The CIO generally agreed with our findings, and issued memorandums and policy statements requesting agency priority attention and action to strengthen application controls for DOL's major information systems.

Procurement

OASAM's procurement office processed approximately $296 million of the $622 million (48 percent) of new FY 2004 procurements for supplies and services. We judgmentally selected 10 procurement files for review that had activity during the fiscal year, and found that four of the files lacked sufficient documentation and were poorly organized. As a result, management was not able to demonstrate compliance with the sections of the FAR pertaining to contract competition for three contracts. Also, management could not demonstrate compliance with Federal Appropriations Law for one contract.

For the first procurement with a cumulative value of $10.3 million, the agency could not document the original scope or that modifications totaling over $10 million from July 1999 though February 2004 did not exceed the original scope. In addition, the file did not contain documentation that at least three schedule contractors were considered. In the second procurement, we found a Blanket Purchase Agreement (BPA) with multiple holders where the procurement file did not provide the rationale for expanding the scope of the work without providing other BPA holders the opportunity to bid on the work. In the third procurement, the contract file did not have any preaward documents or a task order with the contracting officer's signature approving the procurement. In the fourth procurement, the file did not include the rationale for using FY 2004 appropriations for FY 2005 services. The task order was awarded for new services that were continuing and recurring in nature, and should have been considered severable. Performance of these services did not begin in FY 2004 and DOL would not realize a benefit until such time as the services were provided.

The reasons for the lack of compliance with procurement policies and procedures were difficult to ascertain due to the change of procurement management and staff within OASAM. However, based on the condition of the files and the lack of critical procurement documentation, it was clear that files were not being maintained in accordance with existing procurement policies and procedures.

OASAM has recently changed procurement personnel and is in the process of adopting and implementing new policies and procedures, which it believes will ensure compliance with the FAR and DLMS and will improve record maintenance over this important function. Management provided various documents throughout the course of our audit as evidence that corrective actions have already been initiated, such as training plans, compliance forms, procurement checklists, etc.

We recommend that the Office of the Chief Financial Officer and the Assistant Secretary for Administration and Management ensure completion of policies that are currently being implemented to train staff, improve record maintenance, and establish consistent procurement practices designed to promote a better understanding and compliance with FAR and DLMS policies and procedures; ensure development of a monitoring process to ensure compliance with FAR and DLMS requirements; and analyzes FY 2004 obligations to determine the extent to which funds were obligated in the wrong year and takes necessary action to obligate the correct year.

Management concurred with the finding and recommendations, and indicated that the procurement office is prepared to make needed improvements.

Prior Year Reportable Conditions

Job Corps Real Property

DOL owns a significant amount of real property, which is capitalized and depreciated in the Department's accounting records, and is reported in the Department's financial statements. We previously reported that ETA did not sufficiently utilize the property subsidiary system, the Capitalized Assets Tracking and Reporting System (CATARS), as a complete property management system in accordance with the CATARS user guide. We also found that ETA did not establish sufficient controls to ensure that Job Corps capitalized real property was safeguarded and accurately reported in CATARS and the Department of Labor Accounting and Related Systems (DOLAR$) general ledger.

Management concurs with the need to improve controls over Job Corps real property and is implementing various corrective actions to ensure that both CATARS and DOLAR$ reflect accurate and complete property balances, and that assets are sufficiently safeguarded.

Federal Employees' Compensation Act (FECA) Compensation Payments

We previously reported that ESA's Office of Workers' Compensation Programs (OWCP) did not have adequate controls to ensure that current medical evidence is maintained in the case files to support the continuing eligibility of claimants. In our FY 2004 audit, we continued to note a high error rate where case files did not contain current medical evidence.

Management developed a corrective action plan that calls for the implementation of a new automated system in FY 2005, which will help ensure that medical evidence is obtained in accordance with program policy.

Information Technology (IT) Controls

The OIG previously reported the following deficiencies with regards to the Department's IT controls:

- The Department lacks strong logical security controls to secure the Department's data and information. Continuing weaknesses were identified with the Department's technical security standards and policies; logging, monitoring and response controls; system administration procedures; and the overall security framework.

- The Department has not coordinated comprehensive disaster recovery tests to ensure the Department's network and applications can be recovered in the case of a disaster. Testing conducted in FY 2004 identified that the Department's agencies were in varying stages of disaster recovery plan development and testing, and the Department had not coordinated disaster recovery efforts across all agencies or conducted a Department-wide test of disaster recovery plans. Given these conditions, there is a high likelihood that the Department could not recover its key operations in a timely manner in the event of a major disaster.

The CIO generally agreed with our findings and recommendations. The CIO has made a concerted effort to address these issues, and has several planned FY 2005 activities that build on its FY 2004 progress.

Accounting for Grants

The OIG previously reported the following deficiencies with regards to ETA's grant accounting:

- Various accounting errors were noted in amounts recorded for ETA's grants and contracts. In FY 2004, we continued to note errors at both the national and regional offices. For example, at the national level we identified that costs reported by grantees in the Enterprise Information Management System (EIMS) grant cost module did not agree to corresponding amounts recorded in DOLAR$, and that ETA was not sufficiently reconciling the cost information. At the regional offices, we noted errors in various Job Corps contracts selected for testing.

- Transfers of WIA funds between programs are not accounted for in ETA's accounting records.

- ETA's grantees and contractors are often delinquent in submitting required cost reports. While efforts have been made to address this finding, our FY 2004 audit continued to note delinquent reporting.

ETA management plans to interface existing accounting systems in FY 2005, and anticipates that the interface will significantly improve the accuracy of grant costs recorded in DOLAR$, and has recently implemented other improvements to address these audit findings.

Capitalized Assets

The OIG previously reported that management's capitalized asset tracking and reporting procedures do not ensure that disposals of capitalized assets are identified and reported in a timely and accurate manner, and that assets are adequately safeguarded against loss or theft.

We continued to note that certain agencies within the Department were merely removing items from CATARS that could not be found, rather than researching to find out the actual disposition of the missing assets. In addition, dispositions were not recorded timely but were recorded only after items were identified as missing in the physical inventory process.

Management agreed that further controls are necessary to ensure that property is properly managed and accounted for, and is working to correct these deficiencies.

Unemployment Insurance Benefit Overpayments

The OIG previously reported certain deficiencies in the internal controls over Unemployment Insurance (UI) benefit payments. Specifically, the OIG identified that UI overpayment data collected by the Benefit Accuracy Measurement (BAM) unit reflect significantly higher overpayments than those established as accounts receivable by the states' Benefit Payment Control (BPC) system. We also found that there has been little change in the rate of overpayments (about 8.5 percent) since 1989.

Management contends that the actions outlined in its corrective action plan developed in response to this finding in prior years will eventually result in a significant reduction in the detectable, recoverable overpayment rate.

While we recognize that management has taken certain corrective actions, we noted that the actual UI benefit overpayment rate for 2003 did not reflect improvement. The UI benefit overpayment rates for 2003, 2002 and 2001 were 9.3 percent, 9.1 percent, and 8.2 percent, respectively. We conclude that additional evaluation of UI overpayments is necessary.

Management expects to see a positive impact on the rate of overpayments from the corrective actions taken to date, as states increase the use of tools made available by ETA, such as the use of new hire directories to detect claimants that have returned to work.

Implementation of Managerial Cost Accounting

The OIG previously reported that DOL was not in compliance with the requirements for managerial cost accounting (MCA) contained in Statement of Federal Financial Accounting Standards (SFFAS) No. 4. Specifically, DOL had not defined outputs for its operating programs nor developed the capability to routinely report the cost of outputs at the operating program and activity levels. Further, DOL did not adequately link cost information to performance measures at the operating program level for use in managing program operations on a routine basis or use managerial cost information for purposes of performance measurement, planning, budgeting or forecasting.

Management concurred with this finding, and developed a comprehensive plan to implement a Department-wide MCA system that complies with the requirements of SFFAS No. 4. As of the end of FY 2004, the implementation project directed by OCFO, with significant cooperation of agency personnel, has led to the successful development of cost models for substantially all of DOL's agencies and their major programs. OCFO recently certified the MCA system for processing and completed installation of the cost accounting software throughout each of the program agencies. In the near future, OCFO indicates that it will complete cost model documentation and provide final training to agency personnel. Management projects that all cost models will be updated with FY 2004 data and be operational during the second quarter of FY 2005.

We noted other matters involving the internal control and its operations that will be reported to the management of DOL in a separate letter.

Report on Compliance With Laws and Regulations Exclusive of the Federal Financial Management Improvement Act of 1996 (FFMIA)

The management of the DOL is responsible for complying with laws and regulations applicable to the Department. As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the FFMIA. We limited our tests of compliance to those provisions and we did not test compliance with all laws and regulations applicable to the DOL. Providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph disclosed no instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin 01-02.

Report on Compliance With FFMIA

We have examined DOL's compliance with the requirements of FFMIA as of September 30, 2004. These include implementing and maintaining financial management systems that substantially comply with: (1) financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger (SGL) at the transaction level. Management is responsible for DOL's compliance with these requirements. Our responsibility is to express an opinion on DOL's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants; *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. These standards include examining on a test basis, evidence about DOL's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of DOL's compliance with specified requirements.

In our opinion, as of September 30, 2004, DOL substantially complied with the requirements of FFMIA.

This report is intended solely for the information and use of the management of the U.S. Department of Labor, the Office of Management and Budget, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

R. Navarro & Associates, Inc.

November 15, 2004

Annual Financial Statements

Principal Financial Statements and Notes

PRINCIPAL FINANCIAL STATEMENTS

Principal Financial Statements Included in This Report

The principal financial statements included in this report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990 (P.L. 101-576), the Government Management Reform Act of 1994 and the Office of Management and Budget's (OMB) Bulletin 01-09, "Form and Content of Agency Financial Statements." The responsibility for the integrity of the financial information included in these statements rests with management of the U.S. Department of Labor (DOL). The audit of DOL's principal financial statements for FY 2004 and 2003 was performed by R. Navarro & Associates, Inc., Certified Public Accountants. The auditors' report accompanies the principal statements.

The Department's principal financial statements for fiscal years (FY) 2004 and 2003 consisted of the following:

- The **Consolidated Balance Sheets**, which present as of September 30, 2004 and 2003 those resources owned or managed by DOL which are available to provide future economic benefits (assets); amounts owed by DOL that will require payments from those resources or future resources (liabilities) and residual amounts retained by DOL, comprising the difference (net position).

- The **Consolidated Statements of Net Cost**, which present the net cost of DOL operations for the years ended September 30, 2004 and 2003. DOL's net cost of operations includes the gross costs incurred by DOL less any exchange revenue earned from DOL activities. Due to the complexity of DOL's operations, the classification of gross cost and exchange revenues by major program and suborganization is presented in Note 14 to the consolidated financial statements.

- The **Consolidated Statements of Changes in Net Position**, which present the change in DOL's net position resulting from the net cost of DOL operations, budgetary financing sources other than exchange revenues and other financing sources for the years ended September 30, 2004 and 2003.

- The **Combined Statements of Budgetary Resources**, which present the budgetary resources available to DOL during FY 2004 and 2003, the status of these resources at September 30, 2004 and 2003, and the outlay of budgetary resources for the years ended September 30, 2004 and 2003.

- The **Consolidated Statements of Financing**, which reconcile the net cost of operations with the obligation of budgetary resources for the years ended September 30, 2004 and 2003.

- The **Consolidated Statements of Custodial Activity**, which present the sources and disposition of non-exchange revenues collected or accrued by DOL on behalf of other recipient entities for the years ended September 30, 2004 and 2003.

CONSOLIDATED BALANCE SHEETS
As of September 30, 2004 and 2003
(Dollars in Thousands)

	2004	2003
ASSETS		
Intra-governmental		
Funds with U.S. Treasury (Notes 1-C and 2)	$ 9,700,757	$ 9,615,513
Investments (Notes 1-D and 3)	45,446,510	48,408,153
Interest receivable from investments	580,180	726,160
Accounts receivable (Notes 1-E and 4)	3,916,674	3,789,999
Total intra-governmental	59,644,121	62,539,825
Accounts receivable, net of allowance (Notes 1-E and 4)	1,127,034	939,688
Advances (Notes 1-F and 5)	777,032	481,078
Property, plant and equipment, net of depreciation (Notes 1-G and 6)	876,269	830,558
Total assets	$ 62,424,456	$ 64,791,149
LIABILITIES AND NET POSITION		
Liabilities (Note 1-I)		
Intra-governmental		
Accounts payable	$ 22,207	$ 37,948
Advances from U.S. Treasury (Notes 1-J and 8)	8,740,557	8,243,557
Other liabilities (Note 11)	194,427	170,184
Total intra-governmental	8,957,191	8,451,689
Accounts payable	1,008,450	669,873
Accrued leave (Note 1-K)	99,676	97,913
Accrued benefits (Notes 1-L and 9)	1,344,009	1,638,594
Future workers' compensation benefits (Notes 1-M and 10)	528,068	592,125
Energy employees occupational illness compensation benefits (Note 1-N)	2,793,823	2,222,574
Other liabilities (Note 11)	239,333	270,125
Total liabilities	14,970,550	13,942,893
Net position (Note 1-R)		
Unexpended appropriations	8,299,897	8,587,666
Cumulative results of operations	39,154,009	42,260,590
Total net position	47,453,906	50,848,256
Total liabilities and net position	$ 62,424,456	$ 64,791,149

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30, 2004 and 2003
(Dollars in Thousands)

	2004	2003
NET COST OF OPERATIONS (Notes 1-S and 14)		
CROSSCUTTING PROGRAMS		
Income maintenance		
Intra-governmental	$ 972,951	$ 852,394
With the public	50,464,699	60,808,540
Total cost	51,437,650	61,660,934
Less earned revenue	(3,274,386)	(3,015,750)
Net program cost	48,163,264	58,645,184
Employment and training		
Intra-governmental	44,642	43,709
With the public	6,389,375	7,198,735
Total cost	6,434,017	7,242,444
Less earned revenue	(17,140)	(17,630)
Net program cost	6,416,877	7,224,814
Labor, employment and pension standards		
Intra-governmental	137,019	138,110
With the public	563,409	459,858
Total cost	700,428	597,968
Less earned revenue	(11,475)	(10,644)
Net program cost	688,953	587,324
Worker safety and health		
Intra-governmental	163,696	158,339
With the public	638,194	642,819
Total cost	801,890	801,158
Less earned revenue	(5,207)	(5,351)
Net program cost	796,683	795,807
OTHER PROGRAMS		
Statistics		
Intra-governmental	165,549	168,252
With the public	372,556	359,768
Total cost	538,105	528,020
Less earned revenue	(5,504)	(4,438)
Net program cost	532,601	523,582
Costs not assigned to programs	98,721	126,139
Less earned revenue not attributed to programs	(20,643)	(29,669)
Net cost not assigned to programs	78,078	96,470
Net cost of operations	$ 56,676,456	$ 67,873,181

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2004 and 2003
(Dollars in Thousands)

	2004		2003	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning balances	$ 42,260,590	$ 8,587,666	$ 61,929,810	$ 9,343,624
Budgetary financing sources (Note 1-T)				
Appropriations received		11,510,488		10,891,922
Appropriations transferred		(646,727)		(702,501)
Appropriations not available	-	(153,632)	-	(190,679)
Appropriations used	10,997,898	(10,997,898)	10,754,700	(10,754,700)
Nonexchange revenue (Note 15)				
Employer taxes	37,376,035		31,698,813	
Interest	2,525,135		3,454,045	
Assessments	145,564		137,723	
Reimbursement of unemployment benefits	2,411,887		2,050,363	
Total nonexchange revenue	42,458,621		37,340,944	
Transfers without reimbursement (Note 16)	3,000		3,000	
Other financing sources (Note 1-U)				
Imputed financing from costs absorbed by others	110,344		106,003	
Transfers without reimbursement (Note 16)	12		(686)	
Total financing sources	53,569,875	(287,769)	48,203,961	(755,958)
Net cost of operations	(56,676,456)		(67,873,181)	
Ending balances	$ 39,154,009	$ 8,299,897	$ 42,260,590	$ 8,587,666

The accompanying notes are an integral part of these statements.

COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2004 and 2003
(Dollars in Thousands)

	2004	2003
BUDGETARY RESOURCES		
Budget authority		
Appropriations received	$ 58,039,574	$ 68,937,478
Net transfers	(19,879)	(80,878)
Unobligated balance		
Beginning of period	3,173,996	2,971,602
Net transfers	(37,592)	(732)
Spending authority from offsetting collections		
Earned		
Collected	2,645,532	2,633,039
Receivable from Federal sources	(24,109)	(45,828)
Change in unfilled customer orders		
Advance received	(5,534)	17,650
Without advance from Federal sources	-	(2,396)
Transfers from trust funds	3,884,725	4,012,226
Total spending authority from offsetting collections	6,500,614	6,614,691
Recoveries of prior year obligations	463,631	308,966
Temporarily not available pursuant to public law	(22,661)	-
Permanently not available	(207,353)	(250,856)
Total budgetary resources	$ 67,890,330	$ 78,500,271
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 17)		
Direct	$ 61,566,245	$ 72,731,481
Reimbursable	2,746,299	2,595,002
Total obligations incurred	64,312,544	75,326,483
Unobligated balances available		
Apportioned	2,344,404	2,423,022
Exempt from apportionment	(5)	(208)
Other available	212,708	207,400
Unobligated balances not available	1,020,679	543,574
Total status of budgetary resources	$ 67,890,330	$ 78,500,271
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS		
Obligated balance, net, beginning	$ 9,364,834	$ 10,538,670
Obligated balance transferred, net	-	1,304,116
Obligated balance, net, ending		
Accounts receivable	(1,344,626)	(1,336,589)
Undelivered orders	6,227,548	7,112,519
Accounts payable	3,628,904	3,588,904
Outlays		
Disbursements	64,693,879	76,534,321
Collections	(6,492,578)	(6,960,265)
Total outlays	58,201,301	69,574,056
Offsetting receipts	(1,549,472)	(1,277,239)
Net outlays	$ 56,651,829	$ 68,296,817

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF FINANCING
For the Years Ended September 30, 2004 and 2003
(Dollars in Thousands)

	2004	2003
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary resources obligated		
Obligations incurred	$ 64,312,544	$ 75,326,483
Recoveries of prior year obligations	(463,631)	(308,966)
Less spending authority from offsetting collections	(6,500,614)	(6,614,691)
Obligations, net of offsetting collections and recoveries	57,348,299	68,402,826
Other resources		
Imputed financing from costs absorbed by others	110,344	106,003
Transfers, net	3,012	2,314
Exchange revenue not in budget	(71,873)	(78,398)
Trust fund exchange revenue	(823,315)	(613,147)
Total resources used to finance activities	56,566,467	67,819,598
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	583,394	931,663
Resources that finance the acquisition of assets	(102,862)	(101,221)
Allocation transfers to other agencies	(77,215)	(225,950)
Other resources that do not affect net cost of operations	(800,760)	(191)
Total resources used to finance items not part of the net cost of operations	(397,443)	604,301
Total resources used to finance the net cost of operations	56,169,024	68,423,899
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components requiring or generating resources in future periods		
Increase in annual leave liability	1,763	3,979
Increase (decrease) in employee benefits and retirement liabilities	495,628	(572,516)
Other	(28,273)	27,875
Total	469,118	(540,662)
Components not requiring or generating resources		
Depreciation and amortization	50,106	43,275
Revaluation of assets and liabilities	678,954	472,304
Benefit overpayments	(690,746)	(525,635)
Total	38,314	(10,056)
Total components of the net cost of operations that will not require or generate resources in the current period	507,432	(550,718)
Net cost of operations	$ 56,676,456	$ 67,873,181

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CUSTODIAL ACTIVITY
For the Years Ended September 30, 2004 and 2003
(Dollars in Thousands)

	2004	2003
SOURCES OF CUSTODIAL REVENUE (Notes 1-V and 18)		
Cash collection of fines, penalties, assessments and related interest	$ 131,639	$ 119,911
Less refunds	(2,206)	(102)
Net cash collections	129,433	119,809
Increase (decrease) in amounts to be collected	(1,964)	2,291
Total sources of custodial revenue	127,469	122,100
DISPOSITION OF CUSTODIAL REVENUE (Note 1-V)		
Net transfers to U.S. Treasury general fund	129,433	119,809
Increase (decrease) in amounts to be transferred	(1,964)	2,291
Total disposition of custodial revenue	127,469	122,100
Net custodial activity	$ -	$ -

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Department of Labor (DOL), a cabinet level agency of the Executive Branch of the United States Government, was established in 1913, to promote the welfare of the wage earners of the United States. Today the Department's mission remains the same: to foster and promote the welfare of the job seekers, wage earners and retirees of the United States by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening free collective bargaining, and tracking changes in employment, prices, and other economic measurements.

DOL is organized into major program agencies, which administer the various statutes and programs for which the Department is responsible. Through the execution of its congressionally approved budget, DOL conducts operations in five major Federal program areas, under three major budget functions: *education, training, employment and social services, health (occupational health and safety)*, and *income security.* DOL's major program agencies, and the major programs in which they operate, are shown below.

1. Major program agencies

- *Employment and Training Administration (ETA)*
- *Employment Standards Administration (ESA)*
- *Occupational Safety and Health Administration (OSHA)*
- *Bureau of Labor Statistics (BLS)*
- *Mine Safety and Health Administration (MSHA)*
- *Employee Benefits Security Administration (EBSA)*
  (Formerly Pension and Welfare Benefits Administration)
- *Veterans' Employment and Training (VETS)*
- *Other Departmental Programs*
  - *Office of the Assistant Secretary for Administration and Management*
  - *Office of the Solicitor*
  - *Office of the Chief Financial Officer*
  - *Office of the Inspector General*
  - *Bureau of International Labor Affairs*
  - *Women's Bureau*
  - *Office of Disability Employment Policy*

2. Major programs

- *Income maintenance*
- *Employment and training*
- *Labor, employment, and pension standards*
- *Worker safety and health*
- *Statistics*

The Pension Benefit Guaranty Corporation (PBGC), a wholly owned Federal government corporation under the chairmanship of the Secretary of Labor, has been designated by the Office of Management and Budget (OMB) as a separate reporting entity for financial statement purposes and has been excluded from the DOL reporting entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure

DOL's financial activities are accounted for by Federal account symbol, utilizing individual funds and fund accounts within distinct fund types, as discussed below.

- *Trust funds*

The Unemployment Trust Fund was established under the authority of Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, and disburse monies collected under the Federal Unemployment Tax Act, as well as state unemployment taxes collected by the states and transferred to the Fund, and unemployment taxes collected by the Railroad Retirement Board and transferred to the Fund.

The Longshore and Harbor Workers' Compensation Act Trust Fund, established under the authority of the Longshore and Harbor Workers' Compensation Act, provides medical benefits, compensation for lost wages, and rehabilitation services for job related injuries and diseases or death to private sector workers in certain maritime and related employment.

The District of Columbia Workmens' Compensation Act Trust Fund, established under the authority District of Columbia Workmens' Compensation Act provides compensation and medical payments to District of Columbia employees for work related injuries or death which occurred prior to July 26, 1982.

The Black Lung Disability Trust Fund, established under the Black Lung Benefit Act, provides compensation and medical benefits to coal miners who suffer disability due to pneumoconiosis, and compensation benefits to their dependent survivors.

Gifts and Bequests uses miscellaneous funds received by gift or bequest to support various activities of the Secretary of Labor.

- *General funds*

Salaries and Expenses include appropriated funds which are used to carry out the missions and functions of the Department, except where specifically provided for from other Departmental funds.

Training and Employment Services provides for a flexible, decentralized system of Federal and local programs of training and other services for the economically disadvantaged designed to lead to permanent gains in employment, through grants to states and Federal programs such as Job Corps, authorized by the Workforce Investment Act and the Job Training Partnership Act.

Welfare to Work Jobs provides funding for the activities of the Welfare-to-Work Grants program established by the Balanced Budget Act of 1997. The program provides formula grants to States and Federally administered competitive grants to other eligible entities to assist welfare recipients in securing lasting unsubsidized employment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

- *General funds - continued*

State Unemployment Insurance and Employment Service Operations includes grants to states for administering the Unemployment Compensation and Employment Service programs. Unemployment Compensation provides administrative grants to state agencies which pay unemployment benefits to eligible workers and collect state unemployment taxes from employers. The Employment Service is a nationwide system providing no-fee employment services to individuals seeking employment and to employers seeking workers. Employment Service activities are financed by allotments to states distributed under a demographically based funding formula established under the Wagner-Peyser Act, as amended.

Payments to the Unemployment Trust Fund was initiated as a result of amendments to the Emergency Unemployment Compensation (EUC) law, which provided general fund financing to the Unemployment Trust Fund to pay emergency unemployment benefits and associated administrative costs. The fund is currently used to provide general fund financing for emergency benefits as provided by the Temporary Extended Unemployment Compensation Act.

Advances to the Unemployment Trust Fund and Other Funds provides advances to other accounts within the Unemployment Trust Fund to pay unemployment compensation whenever the balances in these accounts prove insufficient or whenever reimbursements to certain accounts, as allowed by law, are to be made. This account also provides repayable advances to the Black Lung Disability Trust Fund, to make disability payments whenever the fund balance proves insufficient.

Federal Unemployment Benefits and Allowances provides for payment of benefits, training, job search, and relocation allowances as authorized by the Trade Act of 1974.

Community Service Employment for Older Americans provides part time work experience in community service activities to unemployed, low income persons aged 55 and over.

The Federal Employees' Compensation Act Special Benefit Fund provides wage replacement benefits and payment for medical services to covered Federal civilian employees injured on the job, employees who have incurred a work related occupational disease and beneficiaries of employees whose death is attributable to a job related injury. The Fund also provides for rehabilitation of injured employees to facilitate their return to work.

The Energy Employees Occupational Illness Compensation Fund was established to adjudicate, administer, and pay claims for benefits under the Energy Employees Occupational Illness Compensation Program Act of 2000. The Act authorizes lump sum payments and the reimbursement of medical expenses to employees of the Department of Energy (DOE) or of private companies under contract with DOE, who suffer from specified diseases as a result of their work in the nuclear weapons industry. The Act also authorizes compensation to the survivors of these employees under certain circumstances.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

- *General funds - continued*

Special Benefits for Disabled Coal Miners was established under the Federal Mine Safety and Health Act to pay benefits to coal miners disabled from pneumoconiosis and to their widows and certain other dependents. Part B of the Act assigned processing of claims filed from the origination of the program until June 30, 1973 to the Social Security Administration. Part B claims processing and payment operations were transferred to the Department of Labor effective October 1, 2003.

- *Revolving funds*

The Working Capital Fund maintains and operates a program of centralized services in the national office and the field. The Fund is paid in advance by the agencies, bureaus, and offices for which centralized services are provided, at rates which return the full cost of operations.

- *Special funds*

The Panama Canal Commission Compensation Fund was established to pay workers compensation obligations of the Panama Canal Commission under the Federal Employees' Compensation Act from funding provided by the Commission.

H-1b Funded provides demonstration grants to regional and local entities to provide technical skills training to unemployed and incumbent workers. The fund is supported by fees paid by employers applying for foreign workers under the H-1b temporary alien labor certification program authorized by the American Competitiveness and Workforce Improvement Act of 1998.

- *Deposit funds*

Deposit funds account for monies held temporarily by DOL until ownership is determined, or monies held by DOL as an agent for others.

- *Miscellaneous receipt and clearing accounts*

Miscellaneous receipt accounts hold non-entity receipts and accounts receivable from DOL activities which by law, cannot be deposited into funds under DOL control. The U.S. Department of the Treasury automatically transfers all cash balances in these receipt accounts to the general fund of the Treasury at the end of each fiscal year.

Clearing accounts hold monies which belong to DOL, but for which a specific receipt account has not been determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

4. Inter-departmental relationships

DOL and the Department of the Treasury (Treasury) are jointly responsible for the operations of the Unemployment Trust Fund and the Black Lung Disability Trust Fund. DOL is responsible for the administrative oversight and policy direction of the programs financed by these trust funds. Treasury acts as custodian over monies deposited into the funds and also invests amounts in excess of disbursing requirements in Treasury securities on behalf of DOL. DOL consolidates the financial results of the Unemployment Trust Fund and the Black Lung Disability Trust Fund into these financial statements.

B. Basis of Accounting and Presentation

These consolidated financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, financing, and custodial activities of the U.S. Department of Labor, in accordance with accounting principles generally accepted in the United States of America and the form and content requirements of OMB Bulletin 01-09. They have been prepared from the books and records of DOL, and include the accounts of all funds under the control of the DOL reporting entity. All interfund balances and transactions have been eliminated, except in the Statement of Budgetary Resources. OMB Bulletin 01-09 requires that the Statement of Budgetary Resources be presented on a combined basis.

OMB 01-09 requires budget authority and other resources allocated to another agency to be reported by the transferor of the appropriation in its financial statements unless the allocation transfer is material to the recipient's financial statements. The activity relating to the allocation should be reported in all of the recipient's financial statements, except the Statement of Budgetary Resources, when the allocation transfer is material to the recipient's financial statements. The transferor should continue to report the appropriation and the related budgetary activity in its Statement of Budgetary Resources.

DOL has allocated appropriations to the Department of Agriculture and the Department of Interior in fiscal years 2004 and 2003. These Departments consider this activity material to their respective financial statements, and therefore, DOL reports this activity only in the Combined Statement of Budgetary resources. Appropriations have been allocated to DOL from the Environmental Protection Agency, the General Service Administration, and the Agency for International Development, which DOL considers to be immaterial. These amounts are not included in the DOL financial statements.

Accounting principles generally accepted in the United States of America encompass both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of federal funds. These consolidated financial statements are different from the financial reports, also prepared by DOL pursuant to OMB directives, used to monitor DOL's use of budgetary resources.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Funds with U.S. Treasury

DOL's cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for use by DOL. (See Note 2.)

D. Investments

DOL trust fund balances not required to meet current expenditures are invested by Treasury in interest bearing securities of the U.S. government. Balances held in the Unemployment Trust Fund are invested in non-marketable, special issue Treasury securities, available for purchase exclusively by Federal government agencies and trust funds. Special issues are purchased and redeemed at face value (cost), which is equivalent to their net carrying value on the Consolidated Balance Sheet. Interest rates and maturity dates vary.

Balances held in the Longshore and Harbor Workers' Trust Fund and the District of Columbia Trust Fund, as well as balances held in the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund and the Backwage Restitution Fund are invested in marketable Treasury securities. These investments are stated at amortized cost, which is equivalent to their net carrying value on the Consolidated Balance Sheet. Discounts and premiums are amortized using the effective interest method. Interest rates and maturity dates vary.

Management expects to hold these marketable securities until maturity; therefore, no provision is made in the financial statements for unrealized gains or losses. (See Note 3.)

E. Accounts Receivable, Net of Allowance

Accounts receivable consists of intra-governmental amounts due to DOL, as well as amounts due from the public.

1. **Intra-governmental accounts receivable**

   The Federal Employees Compensation (FEC) account within the Unemployment Trust Fund provides unemployment insurance to eligible Federal workers (UCFE) and ex-service members (UCX). DOL recognizes as accounts receivable amounts due from other Federal agencies for unreimbursed UCFE and UCX benefits.

   DOL's Federal Employees' Compensation Act Special Benefit Fund provides workers' compensation (FECA) benefits to eligible Federal workers on behalf of other Federal agencies. DOL recognizes as accounts receivable amounts due from other Federal agencies to the Special Benefit Fund for unreimbursed FECA benefits.

   DOL also has receivables from other Federal agencies for work performed on their behalf under various reimbursable agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Accounts Receivable, Net of Allowance - Continued

2. Accounts receivable due from the public

DOL recognizes as accounts receivable State unemployment taxes due from covered employers. Also recognized as accounts receivable are benefit overpayments made by DOL to individuals not entitled to receive the benefit.

DOL recognizes as accounts receivable amounts due from the public for fines and penalties levied against employers by OSHA, MSHA, ESA, and EBSA; for amounts due for backwages assessed against employers by ESA; and for amounts due from grantees and contractors for grant and contract costs disallowed by ETA.

3. Allowance for doubtful accounts

Accounts receivable are stated net of an allowance for uncollectible accounts. The allowance is estimated based on an aging of account balances, past collection experience, and an analysis of outstanding accounts at year-end. (See Note 4.)

F. Advances

DOL advances consist primarily of payments made to State employment security agencies (SESAs), and to grantees and contractors to provide for future DOL program expenditures. These advance payments are recorded by DOL as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded by DOL. (See Note 5.)

G. Property, Plant and Equipment, Net of Depreciation

The majority of DOL's property, plant and equipment (PP&E) is general purpose PP&E held by Job Corps centers owned and operated by DOL through a network of contractors. DOL maintains the Capital Asset Tracking and Reporting System (CATARS) to account for Job Corp's PP&E, as well as other general purpose PP&E used by the Department. Internal use software is considered general purpose PP&E.

Real property purchases or improvements and leasehold improvements with a cost greater than $500,000 and a useful life of 2 or more years, internal use software with a cost greater than $300,000 and a useful life of 2 or more years, and equipment with a cost of $50,000 or more and a useful life of 2 or more years are capitalized. PP&E acquisitions not meeting these criteria are charged to expense at the time of purchase. In 2001, PP&E (excluding internal use software) with a cost greater than $25,000 ($5,000 for the Working Capital Fund) and a useful life of 2 or more years and internal use software with a cost greater than $300,000 and a useful life of 2 or more years were capitalized. Prior to 2001, internally developed software in the Working Capital Fund with a cost greater than $5,000 was capitalized, when the cost was intended to be recovered through charges to other DOL users. Prior to 1996, PP&E with a cost greater than $5,000 and a useful life of 2 or more years were capitalized. PP&E acquisitions not meeting these criteria were charged to expense at the time of purchase.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Property, Plant and Equipment, Net of Depreciation - Continued

Property, plant and equipment purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred. Plant and equipment are depreciated over their estimated useful lives using the straight-line method of depreciation.

Job Corps center construction costs are capitalized as construction-in-progress until completed. Upon completion they are reclassified as structures or facilities and depreciated over their estimated useful life. Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration are recorded at cost and amortized over their useful lives, using the straight-line method of amortization. (DOL has no operating leases which extend for a period of more than one year.)

Internal use software development costs are capitalized as software development in progress until the development stage has been completed and successfully tested. Upon completion and testing, software development-in-progress costs are reclassified as internal use software and amortized over their estimated useful life.

The table below shows the major classes of DOL's depreciable plant and equipment, and the depreciation periods used for each major classification. (See Note 6.)

	Years
Structures, facilities and improvements	20 - 50
Furniture and equipment	2 - 36
ADP software	2 - 15

DOL grantees have acquired real and tangible property with Federal grant funds in which DOL has a reversionary interest when the property is disposed of or no longer used for its authorized purpose. DOL is entitled to a pro rata share of the proceeds from sale of the property or a pro rata share of the property's fair market value, if the property is retained by the grantee but no longer used for DOL purposes.

The value of DOL's reversionary interest in real and tangible property acquired with Federal grant funds can not be determined until the grantee's intention to sell or convert the property is known.

H. Non-entity Assets

Assets held by DOL which are not available to DOL for obligation are considered non-entity assets. DOL holds non-entity assets for the Railroad Retirement Board and for transfer to the U.S. Treasury. (See Note 7.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Liabilities

Liabilities represent probable amounts to be paid by DOL as a result of past transactions, and are recognized when incurred, regardless of whether there are budgetary resources available to pay them. However, the liquidation of these liabilities will consume budgetary resources and cannot be made until available resources have been obligated. For financial reporting purposes, DOL's liabilities are classified as covered or not covered by budgetary resources. Liabilities are classified as covered by budgetary resources if budgetary resources are available for consumption, regardless of whether the available resources have been obligated. Liabilities are classified as not covered by budgetary resources if budgetary resources are not available for consumption. These classifications differ from budgetary reporting, which categorizes liabilities as obligated, consuming budgetary resources, or unobligated, not consuming budgetary resources. Unobligated liabilities include those covered liabilities for which available budgetary resources have not been obligated, as well as liabilities not covered for which budgetary resources are not available. (See Notes 11 and 12.)

J. Advances from U.S. Treasury

The Benefits Revenue Act provides for repayable advances to DOL's Black Lung Disability Trust Fund, in the event fund resources are not adequate to meet fund obligations. Spending authority is derived from the Black Lung Disability Trust Fund's indefinite authority to borrow. Repayable advances are provided through transfers from the Advances to the Unemployment Trust Fund and Other Funds appropriation, to the extent of borrowings under the authority. Advances are repayable with interest at a rate determined by the Secretary of the Treasury to be equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the anticipated period during which the advance will be outstanding. Advances made prior to 1982 carried rates of interest equal to the average rate borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt. Outstanding advances bear interest rates ranging from 5.250% to 13.875% at September 30, 2004 and 2003. Amounts in the trust fund shall be available, as provided by appropriation acts, for the payment of interest on, and the repayment of these repayable advances. Interest and principal are paid to the general fund of the Treasury when the Secretary of the Treasury determines that funds are available in the trust fund for such purposes. (See Note 8.)

K. Accrued Leave

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. The balance of leave earned but not taken will be paid from future funding sources. Sick leave and other types of non-vested leave are expensed as taken.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Accrued Benefits

The financial statements include a liability for unemployment, workers' compensation and disability benefits payable from various DOL funds, as discussed below. (See Note 9.)

1. **Unemployment benefits payable**

   The Unemployment Trust Fund provides benefits to unemployed workers who meet State and Federal eligibility requirements. Regular and extended unemployment benefits are paid from State accounts within the Unemployment Trust Fund, financed primarily by a State unemployment tax on employer payrolls. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account (EUCA) within the Unemployment Trust Fund, financed by a Federal unemployment tax on employer payrolls. Temporary extended unemployment benefits, which began in 2002, are paid from the EUCA and are financed by Federal unemployment tax and general fund appropriations. New claims for this program ended in January 2004. Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency. A liability is recognized for unpaid unemployment benefits applicable to the current period and for benefits paid by states that have not been reimbursed by the fund. DOL also recognizes a liability for Federal employees' unemployment benefits to the extent of unpaid benefits for existing claims filed during the current period, payable in the subsequent period.

2. **Federal employees disability and 10(h) benefits payable**

   The Federal Employees' Compensation Act Special Benefit Fund provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The fund is reimbursed by other Federal agencies for the FECA benefit payments made on behalf of their workers. The fund assumes the liability for unreimbursed (non-chargeable) FECA benefits. The fund also provides 50% of the annual cost-of-living adjustments for pre-1972 compensation cases under the authority of Section 10(h) of the Longshore and Harbor Workers' Compensation Act and the District of Columbia Workmen's Compensation Act.

   A liability for FECA benefits payable by the Special Benefit Fund to the employees of other Federal agencies and for 10(h) benefits is accrued to the extent of unpaid benefits applicable to the current period.

3. **Black lung disability benefits payable**

   The Black Lung Disability Trust Fund and Special Benefits for Disabled Coal Miners provide compensation and medical benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Accrued Benefits – Continued

4. Energy employees occupational illness compensation benefits payable

The Energy Employees Occupational Illness Compensation Fund provides benefits to eligible current or former employees of the Department of Energy (DOE) and its contractors suffering from designated illnesses incurred as a result of their work with DOE. Benefits are also paid to certain survivors of those employees and contractors, as well as to certain beneficiaries of the Radiation Exposure Compensation Act. DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

5. Longshore and harbor workers' and District of Columbia disability benefits payable

The Longshore and Harbor Workers' Compensation Trust Fund and the District of Columbia Workmens' Compensation Trust Fund provide compensation and medical benefits for work related injuries to workers in certain maritime employment and to employees of the District of Columbia, respectively. DOL recognizes a liability for disability benefits payable by these funds to the extent of unpaid benefits applicable to the current period.

M. Future Workers' Compensation Benefits

The financial statements include a liability for future workers' compensation benefits payable by DOL to its employees, to employees of the Panama Canal Commission and to enrollees of the Job Corps, as well as benefits not chargeable to other Federal agencies, which must be paid by DOL's Federal Employees' Compensation Act Special Benefit Fund. The liability includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period.

The methodology provides for the effects of inflation and adjusts historical payments to current year constant dollars by applying wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) to the calculation of projected benefits. The compensation COLAs and CPIMs used in the projections for 2004 and 2003 were as follows:

	2004	2003	2004	2003
FY	COLA	COLA	CPIM	CPIM
2003	2.70%	2.70%	4.49%	4.49%
2004	2.13%	2.30%	4.10%	3.21%
2005	2.03%	2.00%	4.14%	3.54%
2006	2.73%	1.83%	3.96%	3.64%
2007	2.40%	1.97%	3.98%	3.80%
2008	2.40%	2.17%	3.99%	3.92%
2009+	2.40%	2.17%	4.02%	3.92%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Future Workers' Compensation Benefits – Continued

Projected annual payments were discounted to present value based on OMB's interest rate assumptions for ten year Treasury notes. For 2004, interest rate assumptions were 4.9% in year one and 5.2% in year two and thereafter. For 2003, interest rate assumptions were 3.8% in year one and 4.4% in year two and thereafter. (See Note 10.)

N. Energy Employees Occupational Illness Compensation Benefits

The Energy Employees Occupational Illness Compensation Fund, established under the authority of the Energy Employees Occupational Illness Compensation Program Act of 2000 (EEOICPA), provides benefits to eligible current or former employees of the Department of Energy (DOE) and its contractors, or to certain survivors of those employees and contractors, as well as benefits to certain beneficiaries of the Radiation Exposure Compensation Act. DOL is responsible for adjudicating and administering claims filed under the EEOICPA. Effective July 31, 2001, compensation of $150,000 and payment of medical expenses from the date a claim is filed are available to covered individuals suffering from designated illnesses incurred as a result of their work with DOE. Compensation of $50,000 and payment of medical expenses from the date a claim is filed are available to individuals eligible for compensation under of the Radiation Exposure Compensation Act.

DOL has recognized a $2.8 billion and $2.2 billion liability for estimated future benefits payable by DOL at September 30, 2004 and 2003, respectively, to eligible individuals under the EEOICPA. For fiscal year 2004, the undiscounted liability is $4.4 billion discounted to a present value liability of $2.8 billion based on an interest rate of 5.24% projected over a sixteen year period. For fiscal year 2003, the undiscounted liability is $3.0 billion discounted to a present value liability of $2.2 billion based on an interest rate 4.29% projected over a sixteen year period. The estimated liability includes the expected lump sum and estimated medical payments for approved compensation cases and cases filed pending approval, as well as claims incurred but not yet filed. The actuarial projection methodology provided an estimate of the ultimate number of reported cases as a result of estimating future claims from the historical patterns of reported claims and subsequent claim approval rates. Medical payments were derived by estimating an average benefit award per living employee claimant.

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 2004, DOL's contributions to the FEHBP and FEGLIP were $70.4 and $1.9 million, respectively. During 2003, DOL's contributions to the FEHBP and FEGLIP were $63.4 and $1.9 million, respectively. These contributions are recognized as current operating expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, and is offset by DOL through recognition of an imputed financing source. Using cost factors supplied by OPM, DOL recorded ORB expense and imputed financing sources of $60.8 million in 2004 and $53.2 million in 2003.

Q. Employee Pension Benefits

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). For employees participating in CSRS, 7.0% of their gross earnings is withheld and transferred to the Civil Service Retirement and Disability Fund. DOL contributes an additional 7.0% of the employee gross earnings to the CSRS Retirement and Disability Fund. For employees participating in FERS, DOL withholds 0.8% of gross earnings, and matches the withholding with a 10.7% employer contribution. This total is transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by the OPM. DOL contributions to the CSRS and FERS are recognized as current operating expenses. FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to FICA withholdings. DOL makes matching contributions to FICA, recognized as operating expenses. DOL's matching FICA contributions were $58.7 million in 2004 and $54.4 million in 2003.

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 9% of their gross pay to the TSP, but there is no departmental matching contribution. FERS participants may contribute up to 14% of their gross pay to the TSP. For employees covered under FERS, DOL contributes 1% of the employees' gross pay to the TSP. DOL also matches 100% of the first 3% contributed and 50% of the next 2% contributed. DOL contributions to the TSP are recognized as current operating expenses. The maximum amount that either FERS or CSRS employees may contribute to the TSP in a calendar year is $13,000. Employee and employer contributions to the TSP are transferred to the Federal Retirement Thrift Investment Board.

DOL recognizes the full cost of providing future CSRS and FERS pension benefits to covered employees at the time the employees' services are rendered. The pension expense recognized in the financial statements equals the service cost for covered DOL employees, less amounts contributed by these employees. Service cost represents the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Q. Employee Pension Benefits - Continued

The excess of total pension expense over the amount contributed by the Department and by DOL's employees represents the amount of pension expense which must be financed directly by OPM. DOL recognized as non-exchange revenue an imputed financing source equal to the excess amount. DOL does not recognize in its financial statements FERS or CSRS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees. (See Note 13.)

R. Net Position

DOL's net position consists of the following:

1. **Unexpended appropriations**

   Unexpended appropriations include the unobligated balances and undelivered orders of DOL's appropriated funds. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that appropriation is closed, five years after the appropriations expire. Multi-year appropriations remain available to DOL for obligation in future periods.

2. **Cumulative results of operations**

   Cumulative results of operations includes the accumulated historical difference between expenses consuming budgetary resources and financing sources providing budgetary resources in DOL's trust, revolving and special funds; liabilities not consuming budgetary resources net of assets not providing budgetary resources; and DOL's net investment in capitalized assets.

S. Net Cost of Operations

1. **Operating costs**

   Full operating costs are comprised of all direct costs consumed by the program and those indirect costs which can be reasonably assigned or allocated to the program. Full costs are reduced by exchange (earned) revenues to arrive at the program's net operating cost. The full and net operating costs of DOL's major programs are presented in the Consolidated Statements of Net Cost, and are also reported by suborganization in Note 14 to the financial statements. Note 14 also presents DOL's net operating costs by the outcome goals adopted in the Department's Annual Performance Plan for FY 2004 and DOL's net operating costs by budget function.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

S. Net Cost of Operations - Continued

2. Earned revenue

Earned revenues arise from exchange transactions which occur through the provision of goods and services for a price, and are deducted from the full cost of DOL's major programs to arrive at net program cost. Earned revenues are recognized by DOL to the extent reimbursements are payable from other Federal agencies and from the public, as a result of costs incurred or services performed on their behalf. Major sources of DOL's earned revenue include reimbursements due to the Federal Employees' Compensation Act Special Benefit Fund from Federal agencies for the costs of disability compensation and medical care provided to or accrued on behalf of their employees, and reimbursements due to the Unemployment Trust Fund from Federal agencies for the cost of unemployment benefits provided to or accrued on behalf of their employees.

T. Budgetary Financing Sources

Budgetary financing sources other than earned revenues provide funding for the Department's net cost of operations and are reported on the Consolidated Statement of Changes in Net Position. These financing sources include appropriations received, less appropriations transferred and not available, non-exchange revenue, and transfers without reimbursement, as discussed below:

1. Appropriations received, appropriations transferred and appropriations not available

DOL receives financing sources through congressional appropriations to support its operations. A financing source is recognized for these appropriated funds received, less appropriations transferred or not available through rescission or cancellation.

2. Non-exchange revenue

Non-exchange revenues arise from the Federal government's power to demand payments from and receive donations from the public. Non-exchange revenues are recognized by DOL on the Consolidated Statement of Changes in Net Position for the transfer of employer and excise taxes from the entities collecting these taxes and for interest from investments, as discussed below: (See Note 15.)

- *Employer taxes*

Employer tax revenues are recognized on a modified cash basis, to the extent of cash transferred by the collecting entity to DOL, plus the change in inter-entity balances between the collecting entity and DOL. Inter-entity balances represent revenue received by the collecting entity, net amounts due to the collecting entity and adjustments made to previous transactions by the collecting entity which have not been transferred to the receiving entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

T. Budgetary Financing Sources - Continued

2. Non-exchange revenue - continued

- *Employer taxes - continued*

Federal and state unemployment taxes represent non-exchange revenues collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service and transferred to designated accounts within the Unemployment Trust Fund. State unemployment taxes are collected by each State and deposited in separate State accounts within the Unemployment Trust Fund. Federal unemployment taxes are used to pay the Federal share of extended unemployment benefits and to provide for Federal and State administrative expenses related to the operation of the unemployment insurance program. State unemployment taxes are restricted in their use to the payment of unemployment benefits.

- *Interest*

The Unemployment Trust Fund, Longshore and Harbor Workers' Trust Fund, District of Columbia Trust Fund, the Panama Canal Commission Compensation Fund and the Energy Employees Occupational Illness Compensation Fund receive interest on fund investments. The Unemployment Trust Fund receives interest from states that had accounts with loans payable to the Federal unemployment account at the end of the prior fiscal year. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned.

- *Assessments*

The Longshore and Harbor Workers' Trust Fund and District of Columbia Trust Fund receive non-exchange revenues from assessments levied on insurance companies and self-insured employers. Assessments are recognized as non-exchange revenues when due.

- *Reimbursement of unemployment benefits*

The Unemployment Trust Fund receives reimbursements from state and local government entities and non-profit organizations for the cost of unemployment benefits provided to their employees. These reimbursements are recognized as other non-exchange revenue when due.

3. Transfers without reimbursement

Other transfers recognized as financing sources by DOL include the transfer from various DOL general fund unexpended appropriation accounts to the Working Capital Fund's cumulative results of operations. (See Note 16.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

U. Other Financing Sources

Other financing sources include nonexchange revenue and other items that do not represent budgetary resources.

1. Imputed financing

A financing source is imputed by DOL to provide for pension and other retirement benefit expenses recognized by DOL but financed by OPM. (See Notes 1-P and Q.)

2. Transfers without reimbursement

Other transfers recognized as financing sources by DOL include the transfer of property from the General Services Administration to the Employment and Training Administration (ETA) to be used in ETA job training programs. (See Note 16.)

V. Custodial Activity

DOL collects and transfers to the general fund of the U.S. Treasury custodial non-exchange revenues for penalties levied against employers by OSHA, MSHA, ESA, and EBSA for regulatory violations, for ETA disallowed grant costs assessed against canceled appropriations and for FECA administrative costs assessed against government corporations in excess of amounts reserved to finance capital improvements in the Federal Employees' Compensation Act Special Benefit Fund. These collections are not available to the agencies for obligation or expenditure. Penalties and other assessments are recognized as custodial revenues when collected or subject to collection. The source and disposition of these revenues are reported on the Consolidated Statements of Custodial Activity. (See Note 18.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury at September 30, 2004 consisted of the following:

	Entity Assets					
(Dollars in thousands)	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed	Total Entity Assets	Non-entity Assets	Total
Revolving funds	$ 3,900	$ -	$ 24,280	$ 28,180	$ -	$ 28,180
Trust funds	149,034	53	52,908	201,995	2	201,997
Appropriated funds	2,566,402	655,579	6,179,624	9,401,605	-	9,401,605
Other	-	-	-	-	68,975	68,975
	$ 2,719,336	$ 655,632	$ 6,256,812	$ 9,631,780	$ 68,977	$ 9,700,757

Funds with U.S. Treasury at September 30, 2003 consisted of the following:

	Entity Assets					
(Dollars in thousands)	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed	Total Entity Assets	Non-entity Assets	Total
Revolving funds	$ 3,900	$ -	$ 20,692	$ 24,592	$ -	$ 24,592
Trust funds	99,076	184	(127,486)	(28,226)	(206)	(28,432)
Appropriated funds	2,458,905	293,596	6,782,608	9,535,109	-	9,535,109
Other	-	-	-	-	84,244	84,244
	$ 2,561,881	$ 293,780	$ 6,675,814	$ 9,531,475	$ 84,038	$ 9,615,513

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 3 - INVESTMENTS

Investments at September 30, 2004 consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Net Value	Market Value
Unemployment Trust Fund				
Non-marketable				
U.S. Treasury Certificates of Indebtedness				
4.375% maturing June 30, 2005	$ 10,238,570	$ -	$ 10,238,570	$ 10,238,570
Special issue U.S. Treasury Bonds				
4.375% maturing June 30, 2005	4,210,119	-	4,210,119	4,210,119
6.250% maturing June 30, 2005	22,266,681	-	22,266,681	22,266,681
5.500% maturing June 30, 2006	8,524,011	-	8,524,011	8,524,011
	45,239,381	-	45,239,381	45,239,381
Panama Canal Commission Compensation Fund				
Marketable				
U.S. Treasury Notes				
3.625% to 7.875% various maturities	27,685	450	28,135	28,607
U.S. Treasury Bonds				
10.375% to 14.000% various maturities	49,428	6,494	55,922	58,767
	77,113	6,944	84,057	87,374
Energy Employees Occupational Illness Compensation Fund				
Marketable				
U.S. Treasury Bill				
1.720% maturing October 1, 2004	46,833	-	46,833	46,833
Longshore and Harbor Workers' Trust Fund				
Marketable				
U.S. Treasury Bills				
1.340% to 1.890% various maturities	69,863	(210)	69,653	69,653
District of Columbia Trust Fund				
Marketable				
U.S. Treasury Bills				
1.320% to 1.790% various maturities	5,020	(13)	5,007	5,007
Backwage Restitution Fund				
Marketable				
U.S. Treasury Bill				
1.543% to 1.553% various maturities	1,593	(14)	1,579	1,579
	$ 45,439,803	$ 6,707	$ 45,446,510	$ 45,449,827
Entity investments	$ 45,353,104	$ 6,707	$ 45,359,811	$ 45,363,128
Non-entity investments	86,699	-	86,699	86,699
	$ 45,439,803	$ 6,707	$ 45,446,510	$ 45,449,827

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 3 - INVESTMENTS - Continued

Investments at September 30, 2003 consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Net Value	Market Value
Unemployment Trust Fund				
Non-marketable				
U.S. Treasury Certificates of Indebtedness				
4.625% maturing June 30, 2004	$ 1,367,501	$ -	$ 1,367,501	$ 1,367,501
Special issue U.S. Treasury Bonds				
4.875% maturing June 30, 2004	522,089	-	522,089	522,089
6.500% maturing June 30, 2004	14,068,830	-	14,068,830	14,068,830
6.250% maturing June 30, 2005	23,705,952	-	23,705,952	23,705,952
5.500% maturing June 30, 2006	8,524,011	-	8,524,011	8,524,011
	48,188,383	-	48,188,383	48,188,383
Panama Canal Commission Compensation Fund				
Marketable				
U.S. Treasury Notes				
5.875% to 7.875% various maturities	13,747	43	13,790	14,882
U.S. Treasury Bonds				
8.750% to 14.000% various maturities	62,701	12,222	74,923	77,192
	76,448	12,265	88,713	92,074
Energy Employees Occupational Illness Compensation Fund				
Marketable				
U.S. Treasury Bill				
0.950% maturing October 1, 2003	60,232	-	60,232	60,232
Longshore and Harbor Workers' Trust Fund				
Marketable				
U.S. Treasury Bills				
0.900% to 0.990% various maturities	64,438	(90)	64,348	64,348
District of Columbia Trust Fund				
Marketable				
U.S. Treasury Bills				
0.900% to 0.960% various maturities	4,903	(5)	4,898	4,898
Backwage Restitution Fund				
Marketable				
U.S. Treasury Bill				
0.865% to 0.940% various maturities	1,592	(13)	1,579	1,579
	$ 48,395,996	$ 12,157	$ 48,408,153	$ 48,411,514
Entity investments	$ 48,339,233	$ 12,157	$ 48,351,390	$ 48,354,751
Non-entity investments	56,763	-	56,763	56,763
	$ 48,395,996	$ 12,157	$ 48,408,153	$ 48,411,514

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable at September 30, 2004 consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 333,918	$ -	$ 333,918
Due for workers' compensation benefits	3,572,765	-	3,572,765
Other	9,991	-	9,991
	3,916,674	-	3,916,674
Entity assets			
State unemployment taxes	755,789	(556,917)	198,872
Due from reimbursable employers	659,820	(39,404)	620,416
Benefit overpayments	2,091,586	(1,862,710)	228,876
Other	6,991	(2,121)	4,870
	3,514,186	(2,461,152)	1,053,034
Non-entity assets			
Fines and penalties	115,869	(56,326)	59,543
Backwages	24,846	(10,389)	14,457
	140,715	(66,715)	74,000
	3,654,901	(2,527,867)	1,127,034
	$ 7,571,575	$ (2,527,867)	$ 5,043,708

Changes in the allowance for doubtful accounts during 2004 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2003	Write-offs	Revenue Adjustment	Bad Debt	Balance at September 30, 2004
Entity assets					
State unemployment taxes	$ (524,043)	$ 307,970	$ (340,844)	$ -	$ (556,917)
Due from reimbursable employers	(36,072)	18,974	(22,306)	-	(39,404)
Benefit overpayments	(1,881,135)	688,846	-	(670,421)	(1,862,710)
Other	(481)	1,061	-	(2,701)	(2,121)
	(2,441,731)	1,016,851	(363,150)	(673,122)	(2,461,152)
Non-entity assets					
Fines and penalties	(51,700)	8,504	(13,130)	-	(56,326)
Backwages	(921)	-	-	(9,468)	(10,389)
	(52,621)	8,504	(13,130)	(9,468)	(66,715)
	$ (2,494,352)	$ 1,025,355	$ (376,280)	$ (682,590)	$ (2,527,867)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE - Continued

Accounts receivable at September 30, 2003 consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 254,464	$ -	$ 254,464
Due for workers' compensation benefits	3,520,021	-	3,520,021
Other	15,514	-	15,514
	3,789,999	-	3,789,999
Entity assets			
State unemployment taxes	665,961	(524,043)	141,918
Due from reimbursable employers	538,542	(36,072)	502,470
Benefit overpayments	2,090,664	(1,881,135)	209,529
Other	9,242	(481)	8,761
	3,304,409	(2,441,731)	862,678
Non-entity assets			
Fines and penalties	113,206	(51,700)	61,506
Backwages	16,425	(921)	15,504
	129,631	(52,621)	77,010
	3,434,040	(2,494,352)	939,688
	$ 7,224,039	$ (2,494,352)	$ 4,729,687

Changes in the allowance for doubtful accounts during 2003 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2002	Write-offs	Revenue Adjustment	Bad Debt	Balance at September 30, 2003
Entity assets					
State unemployment taxes	$ (518,847)	$ 299,589	$ (304,785)	$ -	$ (524,043)
Due from reimbursable employers	(36,583)	17,273	(16,762)	-	(36,072)
Benefit overpayments	(1,731,612)	318,674	-	(468,197)	(1,881,135)
Other	(491)	2,115	-	(2,105)	(481)
	(2,287,533)	637,651	(321,547)	(470,302)	(2,441,731)
Non-entity assets					
Fines and penalties	(41,030)	6,966	(17,636)	-	(51,700)
Backwages	(3,825)	2,904	-	-	(921)
	(44,855)	9,870	(17,636)	-	(52,621)
	$ (2,332,388)	$ 647,521	$ (339,183)	$ (470,302)	$ (2,494,352)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 5 – ADVANCES

Advances at September 30, 2004 and 2003 consisted of the following:

(Dollars in thousands)	2004	2003
Advances to states for UI benefit payments	$ 623,172	$ 471,592
Advances to grantees and contractors to finance future DOL program expenditures	146,463	8,798
Other	7,397	688
	$ 777,032	$ 481,078

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET OF DEPRECIATION

Property, plant and equipment at September 30, 2004 and 2003 consisted of the following:

	2004			2003
(Dollars in thousands)	Cost or Basis	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Structures, facilities and improvements				
Structures and facilities	$ 801,869	$ (337,815)	$ 464,054	$ 461,690
Improvements to leased facilities	356,904	(206,116)	150,788	115,492
	1,158,773	(543,931)	614,842	577,182
Furniture and equipment				
Equipment held by contractors	160,744	(154,718)	6,026	9,648
Furniture and equipment	62,648	(33,338)	29,310	31,128
	223,392	(188,056)	35,336	40,776
ADP software	106,406	(54,059)	52,347	49,693
Construction-in-progress	106,668	-	106,668	96,831
Land	67,076	-	67,076	66,076
	$ 1,662,315	$ (786,046)	$ 876,269	$ 830,558

NOTE 7 - NON-ENTITY ASSETS

Non-entity assets consisted of the following at September 30, 2004 and 2003:

(Dollars in thousands)	2004	2003
Intra-governmental		
Funds with U.S. Treasury	$ 68,977	$ 84,038
Investments	86,699	56,763
Interest receivable from investments	1,086	828
	156,762	141,629
Accounts receivable, net of allowance	74,000	77,010
	$ 230,762	$ 218,639

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 8 - ADVANCES FROM U.S. TREASURY

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2004 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2003	Net Borrowing	Balance at September 30, 2004
Intra-governmental			
Borrowing from the Treasury	$ 8,243,557	$ 497,000	$ 8,740,557
	$ 8,243,557	$ 497,000	$ 8,740,557

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2003 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2002	Net Borrowing	Balance at September 30, 2003
Intra-governmental			
Borrowing from the Treasury	$ 7,718,557	$ 525,000	$ 8,243,557
	$ 7,718,557	$ 525,000	$ 8,243,557

Assuming the continuation of current operating conditions, repayment of these and necessary future advances will require a change in the statutory operating structure of the fund. (See Note 19.)

NOTE 9 – ACCRUED BENEFITS

Accrued benefits at September 30, 2004 and 2003 consisted of the following:

(Dollars in thousands)	2004	2003
State regular and extended unemployment benefits payable	$ 869,504	$ 983,337
Federal extended unemployment benefits payable	36,265	76,528
Federal temporary extended unemployment benefits	23,581	199,700
Federal emergency unemployment benefits payable	31,951	28,391
Federal employees' unemployment benefits payable	26,200	24,499
Federal employees' unemployment benefits for existing claims due in the subsequent year	141,022	152,614
Total unemployment benefits payable	1,128,523	1,465,069
Black lung disability benefits payable	55,542	25,654
Federal employees' disability and 10(h) benefits payable	155,716	144,747
Energy employees occupational illness compensation benefits payable	790	777
Longshore and harbor workers disability benefits payable	3,155	2,172
District of Columbia disability benefits payable	283	175
	$ 1,344,009	$ 1,638,594

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 10 - FUTURE WORKERS' COMPENSATION BENEFITS

DOL's liability for future workers' compensation benefits at September 30, 2004 and 2003 consisted of the following:

(Dollars in thousands)	2004	2003
Projected gross liability of the Federal government for future FECA benefits	$ 25,570,723	$ 27,054,049
Less liabilities attributed to other agencies:		
U.S. Postal Service	(8,379,832)	(8,729,029)
Department of Navy	(2,744,041)	(2,999,824)
Department of Army	(1,937,818)	(2,081,971)
Department of Veterans Affairs	(1,752,895)	(1,887,701)
Department of Air Force	(1,418,832)	(1,558,355)
Department of Transportation	(1,020,500)	(1,114,602)
Department of Homeland Security	(1,398,161)	(1,103,401)
Tennessee Valley Authority	(594,461)	(664,669)
Department of Treasury	(678,272)	(782,903)
Department of Agriculture	(836,341)	(939,818)
Department of Justice	(829,336)	(839,748)
Department of Interior	(664,856)	(711,565)
Department of Defense, Other	(858,146)	(955,952)
Department of Health and Human Services	(266,389)	(296,315)
Social Security Administration	(288,158)	(305,289)
General Services Administration	(176,351)	(195,552)
Department of Commerce	(179,186)	(200,056)
Department of Energy	(95,184)	(102,553)
Department of State	(59,984)	(61,628)
Department of Housing & Urban Development	(78,622)	(84,240)
Department of Education	(19,882)	(22,265)
National Aeronautics and Space Administration	(68,876)	(69,446)
Environmental Protection Agency	(40,281)	(44,096)
Small Business Administration	(28,436)	(31,822)
Office of Personnel Management	(13,077)	(14,397)
National Science Foundation	(1,465)	(1,649)
Nuclear Regulatory Commission	(8,114)	(9,073)
Agency for International Development	(24,523)	(27,400)
Other	(580,636)	(626,605)
	(25,042,655)	(26,461,924)
	$ 528,068	$ 592,125
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	$ 228,487	$ 241,639
FECA benefits due to eligible workers of DOL and Job Corp enrollees	236,560	280,398
FECA benefits due to eligible workers of the Panama Canal Commission	63,021	70,088
	$ 528,068	$ 592,125

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 11 - OTHER LIABILITIES

Other liabilities at September 30, 2004 and 2003 consisted of the following current liabilities:

(Dollars in thousands)	2004	2003
Intra-governmental		
Accrued payroll and benefits	$ 8,281	$ 6,314
Unearned FECA assessments	39,261	44,577
Non-entity receipts due to U.S. Treasury	59,542	61,506
Amounts held for the Railroad Retirement Board	86,209	55,806
Advances from other Federal agencies	1,134	1,981
Total intra-governmental	194,427	170,184
Accrued payroll and benefits	40,833	34,539
Due to Backwage recipients	63,901	58,354
Unearned assessment revenue	48,117	44,653
Deposit and clearing accounts	20,738	38,561
Readjustment allowances and other Job Corps liabilities	58,244	86,518
Other advances	7,500	7,500
	239,333	270,125
	$ 433,760	$ 440,309

NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources at September 30, 2004 and 2003 consisted of the following:

(Dollars in thousands)	2004	2003
Intra-governmental		
Advances from U.S. Treasury	$ 8,740,557	$ 8,243,557
Future workers' compensation benefits	236,559	280,398
Accrued annual leave	94,846	93,324
Readjustment allowances and other Job Corps liabilities	58,244	86,518
	389,649	460,240
	$ 9,130,206	$ 8,703,797

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 13 - PENSION EXPENSE

Pension expense in 2004 consisted of the following:

(Dollars in thousands)	Employer Contributions	Accumulated Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 31,473	$ 46,281	$ 77,754
Federal Employees' Retirement System	72,622	3,199	75,821
Thrift Savings Plan	28,712	-	28,712
	$ 132,807	$ 49,480	$ 182,287

Pension expense in 2003 consisted of the following:

(Dollars in thousands)	Employer Contributions	Accumulated Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 39,378	$ 48,827	$ 88,205
Federal Employees' Retirement System	65,834	2,954	68,788
Thrift Savings Plan	25,755	-	25,755
	$ 130,967	$ 51,781	$ 182,748

NOTE 14 - PROGRAM COST

Schedules A, B, and C present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2004.

Cost and revenue by suborganization for the nine outcome goals adopted in the Department's Annual Performance Plan for FY 2004, submitted under the requirements of the Government Performance and Review Act (GPRA), are presented in schedule D.

Detailed cost and revenue information by budget function for 2004 is presented in Schedule E and intra-governmental cost and revenue information by budget function for 2004 is presented in Schedule F.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 14 - PROGRAM COST - Continued

A. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2004 consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration	Bureau of Labor Statistics
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 211,805	$ 782,018	$ -	$ -
With the public	46,152,478	4,285,156	-	-
Total cost	46,364,283	5,067,174	-	-
Less earned revenue	(901,861)	(2,394,786)	-	-
Net program cost	45,462,422	2,672,388	-	-
Employment and training				
Intra-governmental	56,263	-	-	-
With the public	6,164,127	-	-	-
Total cost	6,220,390	-	-	-
Less earned revenue	(17,235)	-	-	-
Net program cost	6,203,155	-	-	-
Labor, employment and pension standards				
Intra-governmental	-	107,613	-	-
With the public	-	227,619	-	-
Total cost	-	335,232	-	-
Less earned revenue	-	(970)	-	-
Net program cost	-	334,262	-	-
Worker safety and health				
Intra-governmental	-	-	114,460	-
With the public	-	-	391,575	-
Total cost	-	-	506,035	-
Less earned revenue	-	-	(4,191)	-
Net program cost	-	-	501,844	-
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	179,644
With the public	-	-	-	356,809
Total cost	-	-	-	536,453
Less earned revenue	-	-	-	(5,504)
Net program cost	-	-	-	530,949
Cost not assigned to programs	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 51,665,577	$ 3,006,650	$ 501,844	$ 530,949

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
$ -	$ 4,666	$ -	$ 4,278	$ (29,816)	$ 972,951
-	10,776	-	8,755	7,534	50,464,699
-	15,442	-	13,033	(22,282)	51,437,650
-	-	-	(21)	22,282	(3,274,386)
-	15,442	-	13,012	-	48,163,264
-	-	8,639	2,320	(22,580)	44,642
-	-	197,709	5,054	22,485	6,389,375
-	-	206,348	7,374	(95)	6,434,017
-	-	-	-	95	(17,140)
-	-	206,348	7,374	-	6,416,877
-	39,486	518	32,127	(42,725)	137,019
-	109,490	11,664	171,911	42,725	563,409
-	148,976	12,182	204,038	-	700,428
-	(10,351)	-	(154)	-	(11,475)
-	138,625	12,182	203,884	-	688,953
90,874	-	-	227	(41,865)	163,696
204,182	-	-	572	41,865	638,194
295,056	-	-	799	-	801,890
(1,016)	-	-	-	-	(5,207)
294,040	-	-	799	-	796,683
-	-	-	454	(14,549)	165,549
-	-	-	1,198	14,549	372,556
-	-	-	1,652	-	538,105
-	-	-	-	-	(5,504)
-	-	-	1,652	-	532,601
-	-	-	100,383	(1,662)	98,721
-	-	-	(22,305)	1,662	(20,643)
-	-	-	78,078	-	78,078
$ 294,040	$ 154,067	$ 218,530	$ 304,799	$ -	$ 56,676,456

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 14 - PROGRAM COST - Continued

B. Consolidating Statement of Net Cost - Employment and Training Administration

Net cost of the Employment and Training Administration for the year ended September 30, 2004 consisted of the following:

(Dollars in thousands)	Employment Security	Training and Employment Programs	Eliminations	Total
CROSSCUTTING PROGRAMS				
Income maintenance				
Benefits	$ 41,431,384	$ 63	$ -	$ 41,431,447
Grants	4,563,342	-	-	4,563,342
Interest	3,421	-	-	3,421
Other	365,837	236	-	366,073
Total cost	46,363,984	299	-	46,364,283
Less earned revenue	(901,861)	-	-	(901,861)
Net program cost	45,462,123	299	-	45,462,422
Employment and training				
Benefits	-	(8,217)	-	(8,217)
Grants	-	6,057,175	-	6,057,175
Other	-	171,432	-	171,432
Total cost	-	6,220,390	-	6,220,390
Less earned revenue	-	(17,235)	-	(17,235)
Net program cost	-	6,203,155	-	6,203,155
Net cost of operations	$ 45,462,123	$ 6,203,454	$ -	$ 51,665,577

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 14 - PROGRAM COST - Continued

C. Consolidating Statement of Net Cost - Employment Standards Administration

Net cost of the Employment Standards Administration for the year ended September 30, 2004 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	$ 4,150,302	$ -	$ -	$ -	$ (1,982)	$ 4,148,320
Interest	650,579	-	-	-	-	650,579
Other	268,275	-	-	-	-	268,275
Total cost	5,069,156	-	-	-	(1,982)	5,067,174
Less earned revenue	(2,396,768)	-	-	-	1,982	(2,394,786)
Net program cost	2,672,388	-	-	-	-	2,672,388
Labor, employment and pension standards						
Benefits	-	10,335	22,012	4,881	-	37,228
Grants	-	-	16	-	-	16
Other	-	83,229	175,121	39,638	-	297,988
Total cost	-	93,564	197,149	44,519	-	335,232
Less earned revenue	-	-	(970)	-	-	(970)
Net program cost	-	93,564	196,179	44,519	-	334,262
Net cost of operations	$ 2,672,388	$ 93,564	$ 196,179	$ 44,519	$ -	$ 3,006,650

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 14 - PROGRAM COST - Continued

D. Consolidating Statement of Net Cost by Outcome Goal

Net cost by outcome goal for the year ended September 30, 2004 consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration	Bureau of Labor Statistics
A prepared workforce				
Increase employment, earnings and assistance	$ 5,230,392	$ -	$ -	$ -
Less earned revenue	(30,253)	-	-	-
Net program cost	5,200,139	-	-	-
Increase the number of youth making a successful transition to work	2,697,935	-	-	-
Less earned revenue	(455)	-	-	-
Net program cost	2,697,480	-	-	-
Improve the effectiveness of information and analysis on the U.S. economy	-	-	-	536,273
Less earned revenue	-	-	-	(5,504)
Net program cost	-	-	-	530,769
Total	7,897,619	-	-	530,769
A secure workforce				
Increase compliance with worker protection laws	2,259	237,995	-	-
Less earned revenue	(13)	(1,006)	-	-
Net program cost	2,246	236,989	-	-
Protect worker benefits	44,653,510	5,073,637	-	-
Less earned revenue	(888,375)	(2,394,750)	-	-
Net program cost	43,765,135	2,678,887	-	-
Total	43,767,381	2,915,876	-	-
Quality workplaces				
Reduce workplace injuries, illnesses and, fatalities	-	-	505,845	-
Less earned revenue	-	-	(4,191)	-
Net program cost	-	-	501,654	-
Foster equal opportunity workplaces	-	90,367	-	-
Less earned revenue	-	-	-	-
Net program cost	-	90,367	-	-
Reduce exploitation of child labor, protect the basic rights of workers and strengthen labor markets	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
Total	-	90,367	501,654	-
A competitive workforce				
Promote job flexibility and minimize regulatory burden	577	407	190	180
Less earned revenue	-	-	-	-
Net program cost	577	407	190	180
Total	577	407	190	180
Cost not assigned to goals	-	-	-	-
Less earned revenue not attributed to goals	-	-	-	-
Net cost not assigned to goals	-	-	-	-
Net cost of operations	$ 51,665,577	$ 3,006,650	$ 501,844	$ 530,949

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
$ -	$ -	$ 205,868	$ 6,087	$ -	$ 5,442,347
-	-	-	-	-	(30,253)
-	-	205,868	6,087	-	5,412,094
-	-	-	5,574	(95)	2,703,414
-	-	-	-	95	(360)
-	-	-	5,574	-	2,703,054
-	-	-	8,548	-	544,821
-	-	-	-	-	(5,504)
-	-	-	8,548	-	539,317
-	-	205,868	20,209	-	8,654,465
-	2,746	-	54,184	-	297,184
-	-	-	-	-	(1,019)
-	2,746	-	54,184	-	296,165
-	161,665	-	65,953	(22,282)	49,932,483
-	(10,351)	-	(175)	22,282	(3,271,369)
-	151,314	-	65,778	-	46,661,114
-	154,060	-	119,962	-	46,957,279
294,800	-	-	16,467	-	817,112
(1,016)	-	-	-	-	(5,207)
293,784	-	-	16,467	-	811,905
-	-	12,659	9,385	-	112,411
-	-	-	-	-	-
-	-	12,659	9,385	-	112,411
-	-	-	96,603	-	96,603
-	-	-	-	-	-
-	-	-	96,603	-	96,603
293,784	-	12,659	122,455	-	1,020,919
256	7	3	4,078	-	5,698
-	-	-	-	-	-
256	7	3	4,078	-	5,698
256	7	3	4,078	-	5,698
-	-	-	60,400	(1,662)	58,738
-	-	-	(22,305)	1,662	(20,643)
-	-	-	38,095	-	38,095
$ 294,040	$ 154,067	$ 218,530	$ 304,799	$ -	$ 56,676,456

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 14 - PROGRAM COST - Continued

E. Consolidating Statement of Net Cost by Budget Function

Net cost by budget function for the year ended September 30, 2004 consisted of the following:

(Dollars in thousands)	Education, Training and Employment	Health	Income Security
CROSSCUTTING PROGRAMS			
Income maintenance			
Intra-governmental	$ 68,154	$ -	$ 841,646
With the public	287,379	-	49,299,603
Total cost	355,533	-	50,141,249
Less earned revenue	(78)	-	(3,274,308)
Net program cost	355,455	-	46,866,941
Employment and training			
Intra-governmental	38,973	-	-
With the public	6,190,693	-	-
Total cost	6,229,666	-	-
Less earned revenue	(17,140)	-	-
Net program cost	6,212,526	-	-
Labor, employment and pension standards			
Intra-governmental	109,111	-	27,402
With the public	440,236	-	111,565
Total cost	549,347	-	138,967
Less earned revenue	(1,124)	-	(10,351)
Net program cost	548,223	-	128,616
Worker safety and health			
Intra-governmental	10,723	152,973	-
With the public	37,550	600,644	-
Total cost	48,273	753,617	-
Less earned revenue	-	(5,207)	-
Net program cost	48,273	748,410	-
OTHER PROGRAMS			
Statistics			
Intra-governmental	165,549	-	-
With the public	372,556	-	-
Total cost	538,105	-	-
Less earned revenue	(5,504)	-	-
Net program cost	532,601	-	-
Cost not assigned to programs	98,721	-	-
Less earned revenue not attributed to programs	(20,643)	-	-
Net cost not assigned to programs	78,078	-	-
Net cost of operations	$ 7,775,156	$ 748,410	$ 46,995,557

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

National Defense	Veterans' Benefits and Services	Total
$ 63,151	$ -	$ 972,951
877,717	-	50,464,699
940,868	-	51,437,650
-	-	(3,274,386)
940,868	-	48,163,264
-	5,669	44,642
-	198,682	6,389,375
-	204,351	6,434,017
-	-	(17,140)
-	204,351	6,416,877
-	506	137,019
-	11,608	563,409
-	12,114	700,428
-	-	(11,475)
-	12,114	688,953
-	-	163,696
-	-	638,194
-	-	801,890
-	-	(5,207)
-	-	796,683
-	-	165,549
-	-	372,556
-	-	538,105
-	-	(5,504)
-	-	532,601
-	-	98,721
-	-	(20,643)
-	-	78,078
$ 940,868	$ 216,465	$ 56,676,456

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 14 - PROGRAM COST - Continued

F. Consolidating Statement of Net Cost by Budget Function (Intra-governmental)

Net intra-governmental cost by budget function for the year ended September 30, 2004 consisted of the following:

(Dollars in thousands)	Education, Training, and Employment	Health	Income Security	National Defense	Veterans' Benefits and Services	Total
CROSSCUTTING PROGRAMS						
Income maintenance						
Intra-governmental	$ 68,154	$ -	$ 841,646	$ 63,151	$ -	$ 972,951
Less earned revenue	(78)	-	(3,272,008)	-	-	(3,272,086)
Net program cost	68,076	-	(2,430,362)	63,151	-	(2,299,135)
Employment and training						
Intra-governmental	38,973	-	-	-	5,669	44,642
Less earned revenue	(16,780)	-	-	-	-	(16,780)
Net program cost	22,193	-	-	-	5,669	27,862
Labor, employment and pension standards						
Intra-governmental	109,111	-	27,402	-	506	137,019
Less earned revenue	(95)	-	(9,804)	-	-	(9,899)
Net program cost	109,016	-	17,598	-	506	127,120
Worker safety and health						
Intra-governmental	10,723	152,973	-	-	-	163,696
Less earned revenue	-	(2,363)	-	-	-	(2,363)
Net program cost	10,723	150,610	-	-	-	161,333
OTHER PROGRAMS						
Statistics						
Intra-governmental	165,549	-	-	-	-	165,549
Less earned revenue	(4,197)	-	-	-	-	(4,197)
Net program cost	161,352	-	-	-	-	161,352
Cost not assigned to programs						
Intra-governmental	98,721	-	-	-	-	98,721
Less earned revenue not attributed to programs	(10,912)	-	-	-	-	(10,912)
Net cost not assigned to programs	87,809	-	-	-	-	87,809
Net cost of operations	$ 459,169	$ 150,610	$ (2,412,764)	$ 63,151	$ 6,175	$ (1,733,659)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 14 - PROGRAM COST - Continued

Schedules G, H and I present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2003.

Detailed cost and revenue information by budget function for 2003 is presented in Schedule J and intra-governmental cost and revenue information by budget function for 2003 is presented in Schedule K.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 14 - PROGRAM COST - Continued

G. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2003 consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration	Bureau of Labor Statistics
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 169,269	$ 711,102	$ -	$ -
With the public	58,047,556	2,750,513	-	-
Total cost	58,216,825	3,461,615	-	-
Less earned revenue	(633,588)	(2,407,747)	-	-
Net program cost	57,583,237	1,053,868	-	-
Employment and training				
Intra-governmental	62,255	-	-	-
With the public	6,959,849	-	-	-
Total cost	7,022,104	-	-	-
Less earned revenue	(17,607)	-	-	-
Net program cost	7,004,497	-	-	-
Labor, employment and pension standards				
Intra-governmental	-	106,262	-	-
With the public	-	232,908	-	-
Total cost	-	339,170	-	-
Less earned revenue	-	(1,879)	-	-
Net program cost	-	337,291	-	-
Worker safety and health				
Intra-governmental	-	-	105,801	-
With the public	-	-	397,210	-
Total cost	-	-	503,011	-
Less earned revenue	-	-	(4,547)	-
Net program cost	-	-	498,464	-
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	182,072
With the public	-	-	-	346,741
Total cost	-	-	-	528,813
Less earned revenue	-	-	-	(6,030)
Net program cost	-	-	-	522,783
Cost not assigned to programs	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 64,587,734	$ 1,391,159	$ 498,464	$ 522,783

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
$ -	$ -	$ -	$ 2,747	$ (30,724)	$ 852,394
-	-	-	5,332	5,139	60,808,540
-	-	-	8,079	(25,585)	61,660,934
-	-	-	-	25,585	(3,015,750)
-	-	-	8,079	-	58,645,184
-	-	10,398	384	(29,328)	43,709
-	-	208,563	972	29,351	7,198,735
-	-	218,961	1,356	23	7,242,444
-	-	-	-	(23)	(17,630)
-	-	218,961	1,356	-	7,224,814
-	42,054	624	31,543	(42,373)	138,110
-	113,054	12,373	59,826	41,697	459,858
-	155,108	12,997	91,369	(676)	597,968
-	(9,441)	-	-	676	(10,644)
-	145,667	12,997	91,369	-	587,324
94,387	-	-	201	(42,050)	158,339
203,052	-	-	507	42,050	642,819
297,439	-	-	708	-	801,158
(804)	-	-	-	-	(5,351)
296,635	-	-	708	-	795,807
-	-	-	225	(14,045)	168,252
-	-	-	574	12,453	359,768
-	-	-	799	(1,592)	528,020
-	-	-	-	1,592	(4,438)
-	-	-	799	-	523,582
-	-	-	126,691	(552)	126,139
-	-	-	(30,221)	552	(29,669)
-	-	-	96,470	-	96,470
$ 296,635	$ 145,667	$ 231,958	$ 198,781	$ -	$ 67,873,181

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 14 - PROGRAM COST - Continued

H. Consolidating Statement of Net Cost - Employment and Training Administration

Net cost of the Employment and Training Administration for the year ended September 30, 2003 consisted of the following:

(Dollars in thousands)	Employment Security	Training and Employment Programs	Eliminations	Total
CROSSCUTTING PROGRAMS				
Income maintenance				
Benefits	$ 53,423,986	$ 62	$ -	$ 53,424,048
Grants	4,336,284	-	-	4,336,284
Interest	3,350	-	-	3,350
Other	452,899	7,244	(7,000)	453,143
Total cost	58,216,519	7,306	(7,000)	58,216,825
Less earned revenue	(640,588)	-	7,000	(633,588)
Net program cost	57,575,931	7,306	-	57,583,237
Employment and training				
Benefits	-	25,496	-	25,496
Grants	-	6,776,529	-	6,776,529
Other	-	220,079	-	220,079
Total cost	-	7,022,104	-	7,022,104
Less earned revenue	-	(17,607)	-	(17,607)
Net program cost	-	7,004,497	-	7,004,497
Net cost of operations	$ 57,575,931	$ 7,011,803	$ -	$ 64,587,734

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 14 - PROGRAM COST - Continued

I. Consolidating Statement of Net Cost - Employment Standards Administration

Net cost of the Employment Standards Administration for the year ended September 30, 2003 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	$ 2,608,321	$ -	$ -	$ -	$ (1,893)	$ 2,606,428
Interest	620,582	-	-	-	-	620,582
Other	234,605	-	-	-	-	234,605
Total cost	3,463,508	-	-	-	(1,893)	3,461,615
Less earned revenue	(2,409,640)	-	-	-	1,893	(2,407,747)
Net program cost	1,053,868	-	-	-	-	1,053,868
Labor, employment and pension standards						
Benefits	-	10,500	21,898	4,788	-	37,186
Grants	-	-	366	-	-	366
Other	-	85,362	180,189	36,067	-	301,618
Total cost	-	95,862	202,453	40,855	-	339,170
Less earned revenue	-	-	(1,879)	-	-	(1,879)
Net program cost	-	95,862	200,574	40,855	-	337,291
Net cost of operations	$ 1,053,868	$ 95,862	$ 200,574	$ 40,855	$ -	$ 1,391,159

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 14 - PROGRAM COST - Continued

J. Consolidating Statement of Net Cost by Budget Function

Net cost by budget function for the year ended September 30, 2003 consisted of the following:

(Dollars in thousands)	Education, Training and Employment	Health	Income Security
CROSSCUTTING PROGRAMS			
Income maintenance			
Intra-governmental	$ 55,543	$ -	$ 768,731
With the public	181,892	-	60,866,574
Total cost	237,435	-	61,635,305
Less earned revenue	(4,088)	-	(3,011,662)
Net program cost	233,347	-	58,623,643
Employment and training			
Intra-governmental	37,679	-	-
With the public	6,987,814	-	-
Total cost	7,025,493	-	-
Less earned revenue	(17,630)	-	-
Net program cost	7,007,863	-	-
Labor, employment and pension standards			
Intra-governmental	110,374	-	27,131
With the public	342,685	-	104,851
Total cost	453,059	-	131,982
Less earned revenue	(1,879)	-	(8,765)
Net program cost	451,180	-	123,217
Worker safety and health			
Intra-governmental	11,027	147,312	-
With the public	35,290	607,529	-
Total cost	46,317	754,841	-
Less earned revenue	-	(5,351)	-
Net program cost	46,317	749,490	-
OTHER PROGRAMS			
Statistics			
Intra-governmental	168,252	-	-
With the public	359,768	-	-
Total cost	528,020	-	-
Less earned revenue	(4,438)	-	-
Net program cost	523,582	-	-
Cost not assigned to programs	126,139	-	-
Less earned revenue not attributed to programs	(29,669)	-	-
Net cost not assigned to programs	96,470	-	-
Net cost of operations	$ 8,358,759	$ 749,490	$ 58,746,860

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

National Defense	Veterans' Benefits and Services	Total
$ 28,120	$ -	$ 852,394
(239,926)	-	60,808,540
(211,806)	-	61,660,934
-	-	(3,015,750)
(211,806)	-	58,645,184
-	6,030	43,709
-	210,921	7,198,735
-	216,951	7,242,444
-	-	(17,630)
-	216,951	7,224,814
-	605	138,110
-	12,322	459,858
-	12,927	597,968
-	-	(10,644)
-	12,927	587,324
-	-	158,339
-	-	642,819
-	-	801,158
-	-	(5,351)
-	-	795,807
-	-	168,252
-	-	359,768
-	-	528,020
-	-	(4,438)
-	-	523,582
-	-	126,139
-	-	(29,669)
-	-	96,470
$ (211,806)	$ 229,878	$ 67,873,181

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 14 - PROGRAM COST - Continued

K. Consolidating Statement of Net Cost by Budget Function (Intra-governmental)

Net intra-governmental cost by budget function for the year ended September 30, 2003 consisted of the following:

(Dollars in thousands)	Education, Training, and Employment	Health	Income Security	National Defense	Veterans' Benefits and Services	Total
CROSSCUTTING PROGRAMS						
Income maintenance						
Intra-governmental	$ 55,543	$ -	$ 768,731	$ 28,120	$ -	$ 852,394
Less earned revenue	(4,088)	-	(3,010,287)	-	-	(3,014,375)
Net program cost	51,455	-	(2,241,556)	28,120	-	(2,161,981)
Employment and training						
Intra-governmental	37,679	-	-	-	6,030	43,709
Less earned revenue	(17,244)	-	-	-	-	(17,244)
Net program cost	20,435	-	-	-	6,030	26,465
Labor, employment and pension standards						
Intra-governmental	110,374	-	27,131	-	605	138,110
Less earned revenue	89	-	(8,216)	-	-	(8,127)
Net program cost	110,463	-	18,915	-	605	129,983
Worker safety and health						
Intra-governmental	11,027	147,312	-	-	-	158,339
Less earned revenue	-	(2,757)	-	-	-	(2,757)
Net program cost	11,027	144,555	-	-	-	155,582
OTHER PROGRAMS						
Statistics						
Intra-governmental	168,252	-	-	-	-	168,252
Less earned revenue	(3,440)	-	-	-	-	(3,440)
Net program cost	164,812	-	-	-	-	164,812
Cost not assigned to programs						
Intra-governmental	69,236	-	-	-	-	69,236
Less earned revenue not attributed to programs	(19,446)	-	-	-	-	(19,446)
Net cost not assigned to programs	49,790	-	-	-	-	49,790
Net cost of operations	$ 407,982	$ 144,555	$ (2,222,641)	$ 28,120	$ 6,635	$ (1,635,349)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 15 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statement of Changes in Net Position in 2004 and 2003 consisted of the following:

(Dollars in thousands)	2004	2003
Employer taxes		
Unemployment Trust Fund		
Federal unemployment taxes	$ 6,613,154	$ 6,514,194
State unemployment taxes	30,196,902	24,678,538
	36,810,056	31,192,732
Black Lung Disability Trust Fund excise taxes	565,979	506,081
	37,376,035	31,698,813
Interest		
Unemployment Trust Fund	2,522,421	3,447,565
Longshore and Harbor Workers' Trust Fund	421	511
District of Columbia Trust Fund	31	48
Panama Canal Commission Compensation Fund	1,299	6,155
Energy Employees Occupational Illness Compensation Fund	655	263
Black Lung Disability Trust Fund	308	(497)
	2,525,135	3,454,045
Assessments		
Longshore and Harbor Workers' Trust Fund	135,813	127,661
District of Columbia Trust Fund	10,352	9,510
Other	(601)	552
	145,564	137,723
Reimbursement of unemployment benefits from state and local governments and non-profit organizations to the Unemployment Trust Fund	2,411,887	2,050,363
	$ 42,458,621	$ 37,340,944

NOTE 16 - TRANSFERS WITHOUT REIMBURSEMENT

Transfers from (to) other Federal agencies in 2004 and 2003 consisted of the following:

(Dollars in thousands)	2004	2003
Budgetary financing sources		
From DOL general fund unexpended appropriation accounts to the DOL Working Capital Fund	$ 3,000	$ 3,000
Other financing sources		
From General Services Administration	1,063	2,123
To General Services Administration	(1,051)	(2,809)
	12	(686)
	$ 3,012	$ 2,314

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 17 - STATUS OF BUDGETARY RESOURCES

A. Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Combined Statement of Budgetary Resources in 2004 and 2003 consisted of the following:

(Dollars in thousands)	2004	2003
Direct Obligations		
Category A	$ 3,961,569	$ 3,815,410
Category B	10,399,454	10,265,880
Exempt from apportionment	47,205,222	58,650,191
Total direct obligations	61,566,245	72,731,481
Reimbursable Obligations		
Category A	154,951	150,970
Category B	2,591,348	2,444,032
Total reimbursable obligations	2,746,299	2,595,002
	$ 64,312,544	$ 75,326,483

B. Permanent Indefinite Appropriations

The Department of Labor's permanent indefinite appropriations include all trust funds, the Federal Employees' Compensation Act Special Benefit Fund, the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund, ETA and ESA H-1b funds, and portions of State Unemployment Insurance and Employment Service Operations and Federal Unemployment Benefits and Allowances. These funds are described in Note 1-A.3.

C. Legal Arrangements Affecting Use of Unobligated Balances

Unemployment Trust Fund receipts are reported as budget authority in the Consolidated Statement of Budgetary Resources. The portion of UTF receipts collected in excess of amounts needed to pay benefits and other valid obligations are precluded by law from being available for obligation at year end. Therefore, these excess receipts are not classified as budgetary resources in the Consolidated Statement of Budgetary Resources and are not included in unobligated balances in the status of budgetary resources included in that Statement. All excess receipts are reported as assets of the UTF and are included in the Consolidated Balance Sheet. They will become available for obligation as needed in the future.

D. Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

The Budget of the United States Government with actual amounts for the year ended September 30, 2004 has not been published as of the issue date of these financial statements. This document will be available in February 2005. In addition, the reconciliation of the SF133 and the Statement of Budgetary Resources will be performed in Fiscal Year 2005 after the Department receives the final SF 133 reports from Trust Funds and allocated accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 17 - STATUS OF BUDGETARY RESOURCES – Continued

D. Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government - Continued

A reconciliation of budgetary resources, obligations incurred and outlays, as presented in the Consolidated Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2003 is shown below.

(Dollars in millions)	Budgetary Resources	Obligations Incurred	Total Outlays
Consolidated Statement of Budgetary Resources	$ 78,500	$ 75,326	$ 69,574
Pension Benefit Guaranty Corporation reported separately	14,764	2,546	229
Special benefits for disabled coal miners reported by the Social Security Administration	410	420	421
Reimbursements recognized as budgetary resources in the budget	639	639	639
Accruals not reported in the budget	686	686	-
Amounts in the budget not included in the Consolidated Statement of Budgetary Resources	(43)	(43)	
Amounts in the Consolidated Statement of Budgetary Resources not included in the budget	-	-	9
Expired accounts	(460)	(177)	-
Other	(4)	(3)	(3)
Budget of the United States Government	$ 94,492	$ 79,394	$ 70,869

Unemployment Trust Fund receipts are reported as budget authority in the Consolidated Statement of Budgetary Resources. The portion of UTF receipts collected in the current year in excess of amounts needed to pay benefits and other valid obligations are precluded by law from being available for obligation. Therefore, these excess receipts are not classified as budgetary resources in the Consolidated Statement of Budgetary Resources. Conversely, when obligations exceed receipts in the current year, amounts are drawn from unavailable collections to meet these obligations. Cumulative excess receipts are not included in unobligated balances in the status of budgetary resources included in that Statement. All excess receipts are reported as assets of the UTF and are included in the Consolidated Balance Sheet. They will become available for obligation as needed in the future.

The cumulative amount of excess UTF receipts are denoted as unavailable collections in the Budget of the United States Government. The cumulative amount of these excess receipts at September 30, 2003, reclassified from unobligated balances to UTF unavailable collections, is presented below.

(Dollars in millions)	2003
Unemployment Trust Fund unavailable collections, beginning	$ 65,021
Budget authority from current year appropriations	37,584
Less obligations	(57,116)
Excess of obligations over budget authority	(19,532)
Unemployment Trust Fund unavailable collections, ending	$ 45,489

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 18 – SOURCES OF CUSTODIAL REVENUE

Custodial revenues in 2004 consisted of the following:

(Dollars in thousands)	Cash Collections	Less Refunds	Net Cash Collections	Increase (Decrease) in Amounts to be Collected	Total Revenues
Civil monetary penalties					
OSHA	$ 60,390	$ -	$ 60,390	$ 917	$ 61,307
MSHA	17,399	-	17,399	6,017	23,416
EBSA	13,373	-	13,373	843	14,216
ESA	24,370	(318)	24,052	(3,543)	20,509
	115,532	(318)	115,214	4,234	119,448
ETA disallowed grant costs	15,526	(1,808)	13,718	(6,198)	7,520
Other	581	(80)	501	-	501
	$ 131,639	$ (2,206)	$ 129,433	$ (1,964)	$ 127,469

Custodial revenues in 2003 consisted of the following:

(Dollars in thousands)	Cash Collections	Less Refunds	Net Cash Collections	Increase (Decrease) in Amounts to be Collected	Total Revenues
Civil monetary penalties					
OSHA	$ 59,563	$ -	$ 59,563	$ (985)	$ 58,578
MSHA	16,628	-	16,628	4,532	21,160
EBSA	9,450	-	9,450	(1,520)	7,930
ESA	23,789	(96)	23,693	136	23,829
	109,430	(96)	109,334	2,163	111,497
ETA disallowed grant costs	4,853	(6)	4,847	128	4,975
Other	5,628	-	5,628	-	5,628
	$ 119,911	$ (102)	$ 119,809	$ 2,291	$ 122,100

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 19 - DEDICATED COLLECTIONS

DOL is responsible for the operation of four major trust funds. The financial position of each trust fund as of September 30, 2004 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Longshore and Harbor Workers'	District of Columbia
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ 157,591	$ 43,777	$ 465	$ 2
Investments	45,239,381	-	69,653	5,007
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	333,918	-	-	-
Interest receivable from investments	577,341	-	-	-
Total intra-governmental	46,308,231	43,777	70,118	5,009
Accounts receivable, net				
State unemployment tax	198,872	-	-	-
Due from reimbursable employers	620,416	-	-	-
Benefit overpayments	196,156	9,651	-	-
Other	-	1,003	1,317	280
Advances to states	623,172	-	-	-
Total assets	$ 47,946,847	$ 54,431	$ 71,435	$ 5,289
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	$ 1,336,263	$ -	$ -	$ -
Advances from U.S. Treasury	-	8,740,557	-	-
Amounts held for the Railroad Retirement Board	86,209	-	-	-
Total intra-governmental	1,422,472	8,740,557	-	-
Accrued benefits	1,128,523	25,318	3,155	283
Other	-	-	44,138	3,979
Total liabilities	2,550,995	8,765,875	47,293	4,262
Net position				
Cumulative results of operations	45,395,852	(8,711,444)	24,142	1,027
Total liabilities and net position	$ 47,946,847	$ 54,431	$ 71,435	$ 5,289

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 19 - DEDICATED COLLECTIONS – Continued

The net results of operations of each trust fund for the year ended September 30, 2004 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Longshore and Harbor Workers'	District of Columbia
Cost, net of earned revenues				
Benefits	$ (41,424,320)	$ (344,340)	$ (133,560)	$ (10,800)
Interest	(3,421)	(650,579)	-	-
Administrative	(293,243)	(60)	-	-
	(41,720,984)	(994,979)	(133,560)	(10,800)
Earned revenue	823,315	-	-	-
	(40,897,669)	(994,979)	(133,560)	(10,800)
Net financing sources				
Taxes	36,810,056	565,979	-	-
Interest	2,522,421	309	421	30
Assessments	2,411,887	-	135,813	10,352
Transfers-in				
Treasury	80,000	-	-	-
DOL Entities	721,054	-	-	-
Transfers-out				
DOL entities	(3,829,105)	(55,743)	(2,021)	-
	38,716,313	510,545	134,213	10,382
Net results of operations	(2,181,356)	(484,434)	653	(418)
Net position, beginning of period	47,577,208	(8,227,010)	23,489	1,445
Net position, end of period	$ 45,395,852	$ (8,711,444)	$ 24,142	$ 1,027

The financial position of each trust fund as of September 30, 2003 is shown below and on the following page.

(Dollars in thousands)	Unemployment	Black Lung Disability	Longshore and Harbor Workers'	District of Columbia
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ (59,434)	$ 30,432	$ 56	$ 4
Investments	48,188,383	-	64,348	4,898
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	254,677	-	-	-
Interest receivable from investments	723,114	-	-	-
Total intra-governmental	49,106,740	30,432	64,404	4,902
Accounts receivable, net				
State unemployment tax	141,918	-	-	-
Due from reimbursable employers	502,470	-	-	-
Benefit overpayments	179,479	10,638	-	-
Other	-	1,131	2,541	87
Advances to states	471,592	-	-	-
Total assets	$ 50,402,199	$ 42,201	$ 66,945	$ 4,989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

NOTE 19 - DEDICATED COLLECTIONS - Continued

(Dollars in thousands)	Unemployment	Black Lung Disability	Longshore and Harbor Workers'	District of Columbia
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	$ 1,304,116	$ -	$ -	$ -
Advances from U.S. Treasury	-	8,243,557	-	-
Amounts held for the Railroad Retirement Board	55,806	-	-	-
Total intra-governmental	1,359,922	8,243,557	-	-
Accrued benefits	1,465,069	25,654	2,172	175
Other	-	-	41,284	3,369
Total liabilities	2,824,991	8,269,211	43,456	3,544
Net position				
Cumulative results of operations	47,577,208	(8,227,010)	23,489	1,445
Total liabilities and net position	$ 50,402,199	$ 42,201	$ 66,945	$ 4,989

The net results of operations of each trust fund for the year ended September 30, 2003 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Longshore and Harbor Workers'	District of Columbia
Cost, net of earned revenues				
Benefits	$ (53,417,598)	$ (375,031)	$ (133,286)	$ (11,055)
Interest	(3,350)	(620,582)	-	-
Administrative	(386,531)	(59)	-	-
	(53,807,479)	(995,672)	(133,286)	(11,055)
Earned revenue	613,146	-	-	-
	(53,194,333)	(995,672)	(133,286)	(11,055)
Net financing sources				
Taxes	31,192,732	506,081	-	-
Interest	3,447,565	(497)	511	48
Assessments	2,050,363	-	127,661	9,510
Transfers-out				
DOL entities	(3,315,901)	(55,273)	(2,016)	-
	33,374,759	450,311	126,156	9,558
Net results of operations	(19,819,574)	(545,361)	(7,130)	(1,497)
Net position, beginning of period	67,396,782	(7,681,649)	30,619	2,942
Net position, end of period	$ 47,577,208	$ (8,227,010)	$ 23,489	$ 1,445

Required Supplementary Stewardship Information

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

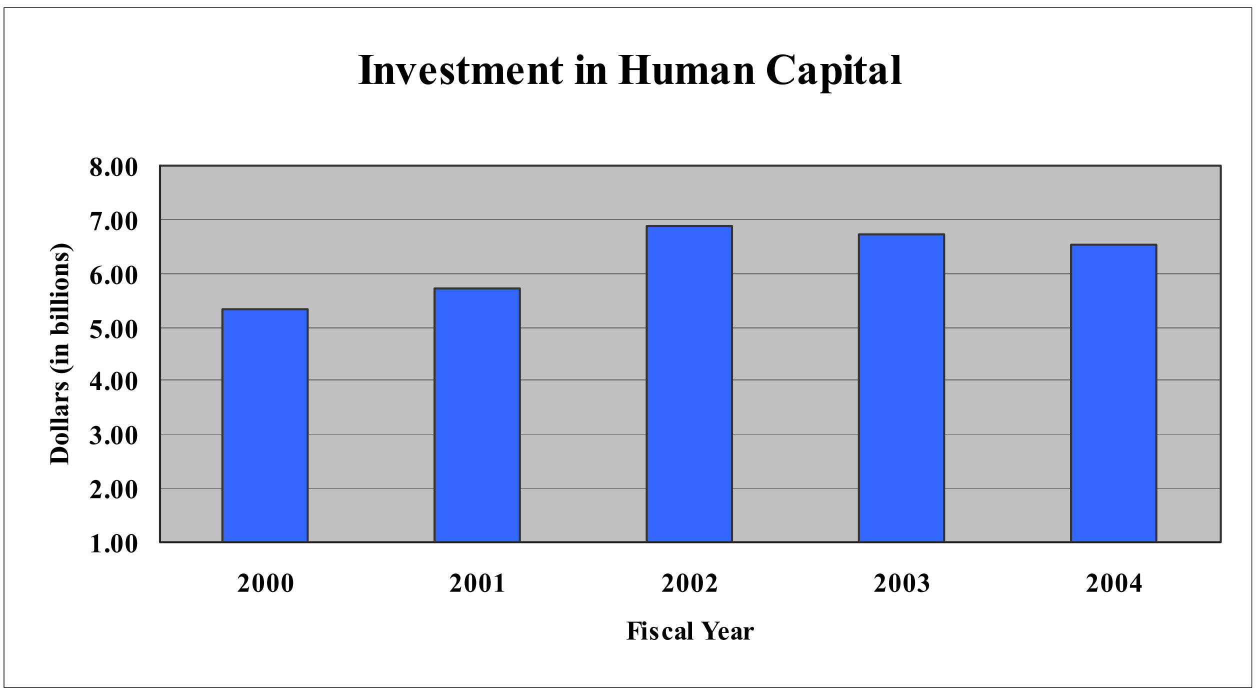
STEWARDSHIP INVESTMENTS IN HUMAN CAPITAL

Stewardship investments are made by the DOL for the nation's benefit. For accounting purposes, these investments are expensed as incurred, and reflected in the net cost of the DOL's operations. Stewardship investments provide long-term benefits which cannot be measured in traditional financial reports.

The DOL's stewardship investments are in human capital, reported as expenses in the net cost of the DOL's employment and training programs. These investments are intended to maintain or increase national economic productive capacity, as demonstrated by program outputs and outcomes. Within the DOL, the Employment and Training Administration and the Veterans' Employment and Training Service administer programs which invest in human capital, as discussed below.

Employment and Training Administration

The U.S. Department of Labor, Employment and Training Administration's (ETA) Federal investment in human capital comprises expenses incurred for training and employment services enacted under the Workforce Investment Act of 1998 (WIA), Job Training Partnership Act, as amended (JTPA), the Trade Act of 1974, as amended (Trade Act), School-To-Work Opportunities Act of 1994, as amended (STW), and Balanced Budget Act of 1997, as amended. This investment is made for the general public and the expenses incurred are intended to increase or maintain national economic productive capacity. The ETA's investment in human capital for fiscal years 2000 to 2004, excluding the cost of internal Federal education and training, is presented below.



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

A brief description of the programs under each Act is as follows:

Workforce Investment Act (Successor Legislation to the JTPA)

- **Youth Activities** - Grants to provide financial assistance to States and U.S. territories to design and operate workforce investment activities for eligible youth.

- **Adult and Dislocated Worker Employment and Training Activities** - Grants to provide financial assistance to States and U.S. territories to design and operate training programs for low income adults and re-employment services and retraining assistance to individuals dislocated from their employment.

- **Job Corps -** Nationwide program carried out in partnership with States and communities to assist eligible youth to become more responsible, employable, and productive citizens.

- **National Programs -** Grants to provide financial assistance in support of employment and training activities and opportunities for Native American, Migrant and Seasonal Farm Workers, and Disadvantaged Youth.

Job Training Partnership Act (Antecedent Legislation to the WIA)

- **Adult Employment and Training -** Grants to provide financial assistance to States and U.S. territories to design and operate training programs for low-income adults.

- **Dislocated Worker Employment and Training** - Grants to provide re-employment services and retraining assistance to individuals dislocated from their employment.

- **Youth Training** - Grants to provide financial assistance to States and U.S. territories to design and operate training programs for economically disadvantaged youth.

- **Summer Youth Employment and Training** - Grants to operate programs of employment and opportunities, as well as academic enrichment for economically disadvantaged youth during the summer months.

- **Native Americans** - Grants to Indian tribes and other Native American groups to provide training, work experience, and other employment-related services to Native Americans.

- **Migrant and Seasonal Farm Workers** - Grants to public agencies and nonprofit groups to provide training and other employability development services to economically disadvantaged families whose principal livelihood is gained in migratory and other forms of seasonal farm work.

- **Veterans Employment** - Grants or contracts to provide disabled, Vietnam era, and recently separated veterans with programs to meet their unique employment and training needs.

- **National Activities** - Provides program support for JTPA activities and nationally administered programs for segments of the population that have special disadvantages in the labor market.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Trade Act of 1974

- **Trade Adjustment Assistance** - Adjustment assistance, including cash weekly benefits, training, job search, and relocation allowances provided to workers as authorized by the Trade Act of 1974, as amended.

- **North American Free Trade Agreement (NAFTA)** - Transition adjustment assistance, including weekly cash benefits, training, job search, and relocation allowances provided to workers determined to be adversely affected as a result of the NAFTA as authorized by the Trade Act of 1974, as amended.

School-To-Work Opportunities Act

- School-To-Work Opportunities - Grants to States and localities, jointly administered by the DOL and U.S. Department of Education to build systems that provide youth with the knowledge and skills necessary to make an effective transition from school to careers through work-based learning, school-based education, and connecting activities.

Balanced Budget Act of 1997

- Welfare-To-Work Opportunities - Grants to States and localities, jointly administered by the DOL and U.S. Department of Health and Human Services to build programs to provide recipients receiving assistance under State funded programs with the knowledge and skills necessary to make an effective transition to unsubsidized employment opportunities.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Veterans' Employment and Training Service

The mission of Veterans' Employment and Training Service (VETS) is to provide veterans and transitioning service members with the resources and services to succeed in the 21st Century workforce, by maximizing their employment opportunities, protecting their employment rights, and meeting labor market demands with qualified veterans. The Agency's vision is embodied in this statement: Veterans Succeeding in the 21st Century Workforce.

VETS can be classified into two main areas, Career Counseling and Employment Services, and Transition and Reemployment Services. Brief descriptions follow:

Career Counseling and Employment Services

Disabled Veterans Outreach Program Specialist (DVOP) - This program is codified at 38 U.S.C. 4103A. DVOP grants are made to State Workforce Agencies (SWAs) according to a distribution formula prescribed by law. DVOP staff provide counseling, assessment, lifelong learning skills and/or referral to training for veterans, particularly those with disabilities or recently separated from the military.

Local Veterans' Employment Representative (LVER) - This program is codified at 38 U.S.C. 4104. The program provides grants to SWAs for the appointment of LVER staff positions identified in Job Service local offices and One-Stop Career Centers to enhance the services provided to veterans through oversight, technical support, and direct provision of services. LVER staffs help veterans into productive employment through lifelong learning services.

Homeless Veterans' Reintegration Project (HVRP) - The HVRP, codified at 38 U.S.C. 2021, provides employment assistance to homeless veterans through grants to both urban and other areas.

Veterans' Workforce Investment Program (VWIP) - The VWIP, codified at 29 U.S.C. 2913, provides targeted veterans training and/or employment opportunities. The program targets service connected disabled veterans, recently separated, campaign badge veterans and veterans with significant employment barriers.

Transition and Reemployment Services

Transition Assistance Program (TAP) - Authority for TAP is provided in 38 U.S.C. 4215 and 10 U.S.C. 1144. TAP operates as a partnership between the Departments of Labor, Defense, and Veterans Affairs. This partnership also exists at the local level, where memoranda of understanding spell out the responsibilities of SWAs, military installations, VETS staff and VA facilities. The program provides separating service members and their spouses or individuals retiring from military service with career counseling and training on becoming productive members of society through employment. TAP workshops are provided throughout the Nation and overseas.

Uniformed Services Employment and Reemployment Rights and Veteran's Preference Rights (USERRA) - is codified at 38 U.S.C. Chapter 43. The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) succeeded Veterans' Reemployment Rights statutes. USERRA continues to protect civilian job rights and benefits for veterans, members of the National Guard and Reserves. Veteran's Preference for Federal employment is codified in 5 U.S.C. 2108. VETS educates both employee and employer so they better understand the rights of the individuals and promotes a more productive relationship between employer and employee.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

The full cost of VETS major programs is presented below. Full costs include all direct program costs and those indirect costs which can reasonably be assigned or allocated to the program.

(Dollars in thousands)	2004		2003	2002	2001
Program Expenses					
Career Counseling and Employment Services					
Disabled Veterans Outreach Program	$ 84,063	*	$ 87,013	$ 82,582	$ 84,681
Local Veterans' Employment Representative	78,320		82,148	77,977	80,155
Transition and Reemployment Services	28,500		25,957	25,635	27,970
	$ 190,883		$ 195,118	$ 186,194	$ 192,806

A summary of program outputs is presented below.

Program Outputs	2004		2003	2002	2001
Disabled Veterans Outreach Program					
Participants employed	281,591		na	120,400	131,000
Disabled veterans	32,993		na	15,057	16,000
Special disabled veterans	13,929		na	7,107	8,000
Participants assisted	507,190		na	584,719	581,000
Local Veterans' Employment Representative					
Participants employed	286,720		na	128,450	138,700
Disabled veterans	29,391		na	13,533	14,000
Special disabled veterans	12,015		na	6,233	6,500
Participants assisted	529,911		na	639,694	733,600
Transition and Reemployment Services					
Participants served	130,000	*	110,055	104,000	112,000
Workshops	3,200		3,142	3,151	3,181
Uniformed Services Employment and Reemployment					
Briefings, presentations, and technical assistance	9,300	*	10,081	5,436	3,200
Individuals briefed or assisted	59,300		66,545	54,050	-

* - Projected data.
na - Data not available.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

SOCIAL INSURANCE PROGRAMS

The Federal Accounting Standards Advisory Board (FASAB) has classified certain government income transfer programs as social insurance programs. Recognizing that these programs have complex characteristics that do not fit traditional accounting models, the FASAB has developed accounting standards for social insurance programs which require the presentation of supplementary information to facilitate the assessment of the program's long term sustainability.

The U.S. Department of Labor operates two programs classified under Federal accounting standards as social insurance programs, the Unemployment Insurance Program and the Black Lung Disability Benefits Program. Presented below is the supplementary information for the two programs.

Unemployment Insurance Program

The Unemployment Insurance (UI) Program was created in 1935 to provide income assistance to unemployed workers who lose their jobs through no fault of their own. The program protects workers during temporary periods of unemployment through the provision of unemployment compensation benefits. These benefits replace part of the unemployed worker's lost wages and, in so doing, stabilize the economy during recessionary periods by increasing the unemployed's purchasing power. The UI program operates counter cyclically, with benefits exceeding tax collections during recessionary periods and UI tax revenues exceeding benefit payments during periods of recovery.

Program Administration and Funding

The UI program is administered through a unique system of Federal-State partnerships, established in Federal law but executed through conforming State laws by State officials. The Federal government provides broad policy guidance and program direction through the oversight of the U.S. Department of Labor, while program details are established through individual State UI statutes, administered through State UI agencies.

Federal and State Unemployment Taxes

The UI program is financed through the collection of Federal and State unemployment taxes levied on subject employers and deposited in the Unemployment Trust Fund (UTF). The UTF was established to account for the receipt, investment and disbursement of unemployment taxes. Federal unemployment taxes are used to pay for the administrative costs of the UI program, including grants to each State to cover the costs of State UI operations and the Federal share of extended UI benefits. Federal unemployment taxes are also used to maintain a loan account within the UTF, from which insolvent States may borrow funds to pay UI benefits. State UI taxes are used exclusively for the payment of regular UI benefits, as well as the State's share of extended benefits.

Federal Unemployment Taxes

Under the provisions of the Federal Unemployment Tax Act (FUTA), a Federal tax is levied on covered employers, at a current rate of 6.2% of the first $7,000 in annual wages paid to each employee. This Federal tax rate is reduced by a credit of up to 5.4%, granted to employers paying State UI taxes under conforming State UI statutes. Accordingly, in conforming States, employers pay an effective Federal tax of 0.8%. Federal unemployment taxes are collected by the Internal Revenue Service.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

State Unemployment Taxes

In addition to the Federal tax, individual States finance their UI programs through State tax contributions from subject employers based on the wages of covered employees. (Three States also collect contributions from employees). Within Federal confines, State tax rates are assigned in accordance with an employer's experience with unemployment. Actual tax rates vary greatly among the States and among individual employers within a State. At a minimum, these rates must be applied to the Federal tax base of $7,000; however, States may adopt a higher wage base than the minimum established by FUTA. State UI agencies are responsible for the collection of State unemployment taxes.

Unemployment Trust Fund

Federal and State UI taxes are deposited into designated accounts within the Unemployment Trust Fund. The UTF was established under the authority of Title IX, Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, loan and disburse Federal and State UI taxes. The U.S. Department of the Treasury acts as custodian over monies deposited into the UTF, investing amounts in excess of disbursing requirements in Treasury securities. The UTF is comprised of the following accounts:

Federal Accounts

The Employment Security Administration Account (ESAA) was established pursuant to Section 901 of the Act. All tax receipts collected under the Federal Unemployment Tax Act (FUTA) are appropriated to the ESAA and used to pay the costs of Federal and State administration of the unemployment insurance program and veterans' employment services, as well as 97 percent of the costs of the State employment services. Excess balances in ESAA, as defined under the Act, are transferred to other Federal accounts within the Fund, as described below.

The Federal Unemployment Account (FUA) was established pursuant to Section 904 of the Act. FUA is funded by any excesses from the ESAA as determined in accordance with Section 902 of the Act. Title XII, Section 1201 of the Act authorizes the FUA to loan Federal monies to State accounts that are unable to make benefit payments because the State UI account balance has been exhausted. Title XII loans must be repaid with interest. The FUA may borrow from the ESAA or EUCA, without interest, or may also receive repayable advances, with interest, from the general fund of the U.S. Treasury, when the FUA has a balance insufficient to make advances to the States.

The Extended Unemployment Compensation Account (EUCA) was established pursuant to Section 905 of the Act. EUCA provides for the payment of extended unemployment benefits authorized under the Federal-State Extended Unemployment Compensation Act of 1970, as amended. Under the extended benefits program, extended unemployment benefits are paid to individuals who have exhausted their regular unemployment benefits. These extended benefits are financed one-half by State unemployment taxes and one-half by FUTA taxes from the EUCA. The EUCA is funded by a percentage of the FUTA tax transferred from the ESAA in accordance with Section 905(b)(1) and (2) of the Act. The EUCA may borrow from the ESAA or the FUA, without interest, or may also receive repayable advances from the general fund of the Treasury when the EUCA has a balance insufficient to pay the Federal share of extended benefits. During periods of sustained high unemployment, the EUCA may also receive payments and non-repayable advances from the general fund of the Treasury to finance emergency unemployment compensation benefits. Emergency unemployment benefits require Congressional authorization.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

The Federal Employees Compensation Account (FECA) was established pursuant to Section 909 of the Act. The FEC account provides funds to States for unemployment compensation benefits paid to eligible former Federal civilian personnel and ex-service members. Generally, benefits paid are reimbursed to the Federal Employees Compensation Account by the various Federal agencies. Any additional resources necessary to assure that the account can make the required payments to States, due to the timing of the benefit payments and subsequent reimbursements, will be provided by non-repayable advances from the general fund of the Treasury.

State Accounts

Separate State Accounts were established for each State and territory depositing monies into the Fund, in accordance with Section 904 of the Act. State unemployment taxes are deposited into these individual accounts and may be used only to pay State unemployment benefits. States may receive repayable advances from the FUA when their balances in the Fund are insufficient to pay benefits.

Railroad Retirement Accounts

The Railroad UI Account and Railroad UI Administrative Account were established under Section 904 of the Act to provide for a separate unemployment insurance program for railroad employees. This separate unemployment insurance program is administered by the Railroad Retirement Board, an agency independent of DOL. DOL is not responsible for the administrative oversight or solvency of the railroad unemployment insurance system. Receipts from taxes on railroad payrolls are deposited in the Railroad UI Account and the Railroad UI Administrative Account to meet benefit payment and related administrative expenses.

UI Program Benefits

The UI program provides regular and extended benefit payments to eligible unemployed workers. Regular UI program benefits are established under State law, payable for a period not to exceed a maximum duration. In 1970, Federal law began to require States to extend this maximum period of benefit duration by fifty percent during periods of high unemployment. These extended benefit payments are paid equally from Federal and State accounts.

Regular UI Benefits

There are no Federal standards regarding eligibility, amount or duration of regular UI benefits. Eligibility requirements, as well as benefit amounts and benefit duration are determined under State law. Under State laws, worker eligibility for benefits depends on experience in covered employment during a past base period, which attempts to measure the workers' recent attachment to the labor force. Three factors are common to State eligibility requirements: (1) a minimum duration of recent employment and earnings during a base period prior to unemployment, (2) unemployment not the fault of the unemployed, and (3) availability of the unemployed for work.

Benefit payment amounts under all State laws vary with the worker's base period wage history. Generally, States compute the amount of weekly UI benefits as a percentage of an individual's average weekly base period earnings, within certain minimum and maximum limits. Most States set the duration of UI benefits by the amount of earnings an individual has received during the base period. Currently, almost all States have established the maximum duration for regular UI benefits at 26 weeks. Regular UI benefits are paid by the State UI agencies from monies drawn down from the State's account within the Unemployment Trust Fund.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Extended UI Benefits

The Federal/State Extended Unemployment Compensation Act of 1970 provides for the extension of the duration of UI benefits during periods of high unemployment. When the insured unemployment level within a State, or in some cases total unemployment, reaches certain specified levels, the State must extend benefit duration by fifty percent, up to a combined maximum of 39 weeks. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account within the UTF, and fifty percent by the State, from the State's UTF account.

Emergency UI Benefits

During prolonged periods of high unemployment, Congress may authorize the payment of emergency unemployment benefits to supplement extended UI benefit payments. Emergency benefits are currently being paid under the Temporary Extended Unemployment Compensation Act. The program is currently phasing out. No new claimants have been allowed to enter the program since January 2004 and no benefits will be paid after January 2005. Emergency benefit payments totaling $4.2 and $10.7 billion were paid in FY 2004 and 2003, respectively, and payments in excess of $23 billion have been paid since inception of the program in March 2002. The benefits under this program are paid from Federal unemployment taxes and general fund appropriations in EUCA.

Federal UI Benefits

Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency and are not considered to be social insurance benefits. Federal unemployment compensation benefits are not included in this discussion of social insurance programs.

Program Finances and Sustainability

At September 30, 2004, total assets within the UTF exceeded liabilities by $45.4 billion. This fund balance approximates the accumulated surplus of tax revenues and earnings on these revenues over benefit payment expenses and is available to finance benefit payments in future periods when tax revenues may be insufficient. Treasury invests this accumulated surplus in Federal securities. The net value of these securities at September 30, 2004 was $45.2 billion. These investments accrue interest, which is distributed to eligible State and Federal accounts within the UTF. Interest income from these investments during FY 2004 was $2.4 billion. Federal and State UI tax and reimbursable revenues of $39.2 billion and regular, extended and emergency benefit payment expense of $41.4 billion were recognized for the year ended September 30, 2004.

As discussed in Note 1.L.1 to the consolidated financial statements, DOL recognized a liability for regular, extended and temporary extended unemployment benefits to the extent of unpaid benefits applicable to the current period. Accrued unemployment benefits payable at September 30, 2004 were $1.1 billion.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Effect of Projected Cash Inflows and Outflows on the Accumulated Net Assets of the UTF

The ability of the UI program to meet a participant's future benefit payment needs depends on the availability of accumulated taxes and earnings within the UTF. The Department measures the effect of projected benefit payments on the accumulated net assets of the UTF, under an open group scenario, which includes current and future participants in the UI program. Future estimated cash inflows and outflows of the UTF are tracked by the Department for budgetary purposes. These projections allow the Department to monitor the sensitivity of the UI program to differing economic conditions, and to predict the program's sustainability under varying economic assumptions. The significant assumptions used in the projections include total unemployment rates, civilian labor force levels, percent of unemployed receiving benefits, total wages, distribution of benefit payments by state, state tax rate structures, state taxable wage bases and interest rates on UTF investments.

Presented on the following pages is the effect of projected economic conditions on the net assets of the UTF, excluding the Federal Employees Compensation Account.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Expected Economic Conditions

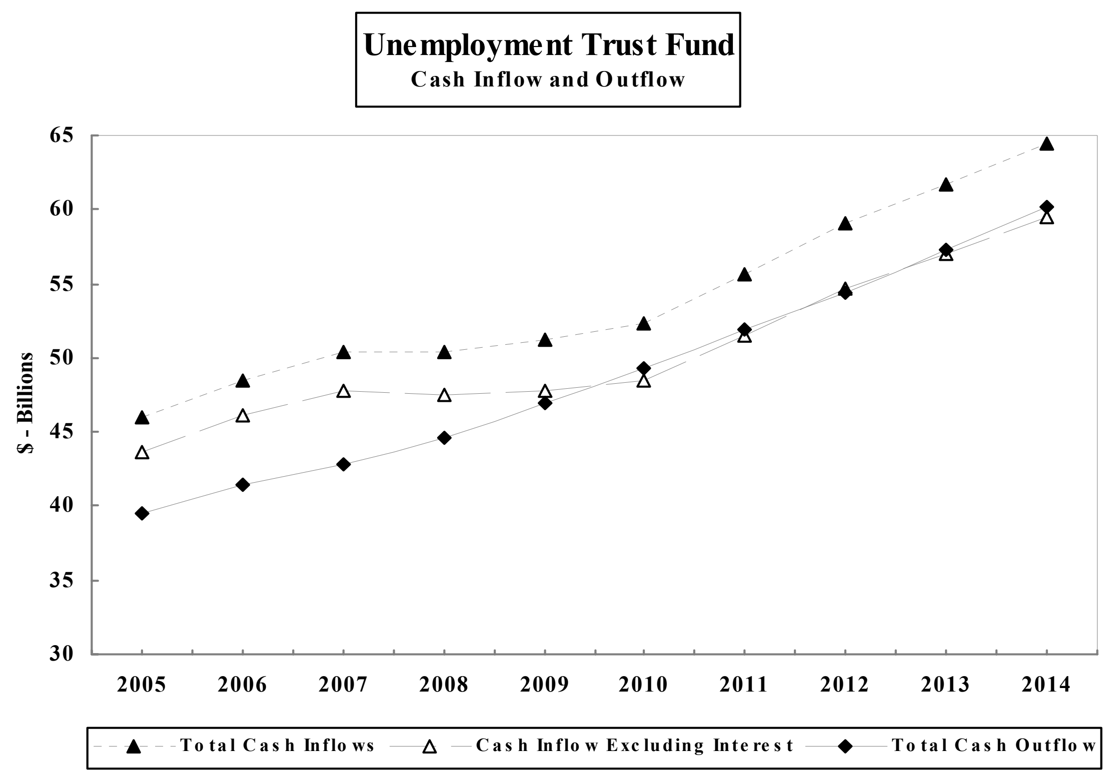
Charts I and II graphically depict the effect of expected economic conditions on the UTF over the next ten years.

Projected Cash Inflows and Outflows Under Expected Economic Conditions

Chart I depicts projected cash inflows and outflows of the UTF over the next ten years under expected economic conditions. Both cash inflows and cash inflows excluding interest earnings are displayed. Current estimates by the Department are based on an expected unemployment rate of 5.35% during FY 2005, decreasing to 5.10% in FY 2008 and thereafter. Total cash inflows exceed total cash outflows for all years projected. The net inflow peaks at $7.6 billion in FY 2007 and decreases to $3.0 billion in FY 2010, indicating that States have replenished their funds to desired levels.

These projections, excluding interest earnings, indicate net cash inflows from FY 2005 to FY 2009, then net cash outflows for four of the next five years. This crossover back to net outflows implies that the fund must rely on interest earnings to keep growing.

Chart I



Excludes the Federal Employee Compensation Account

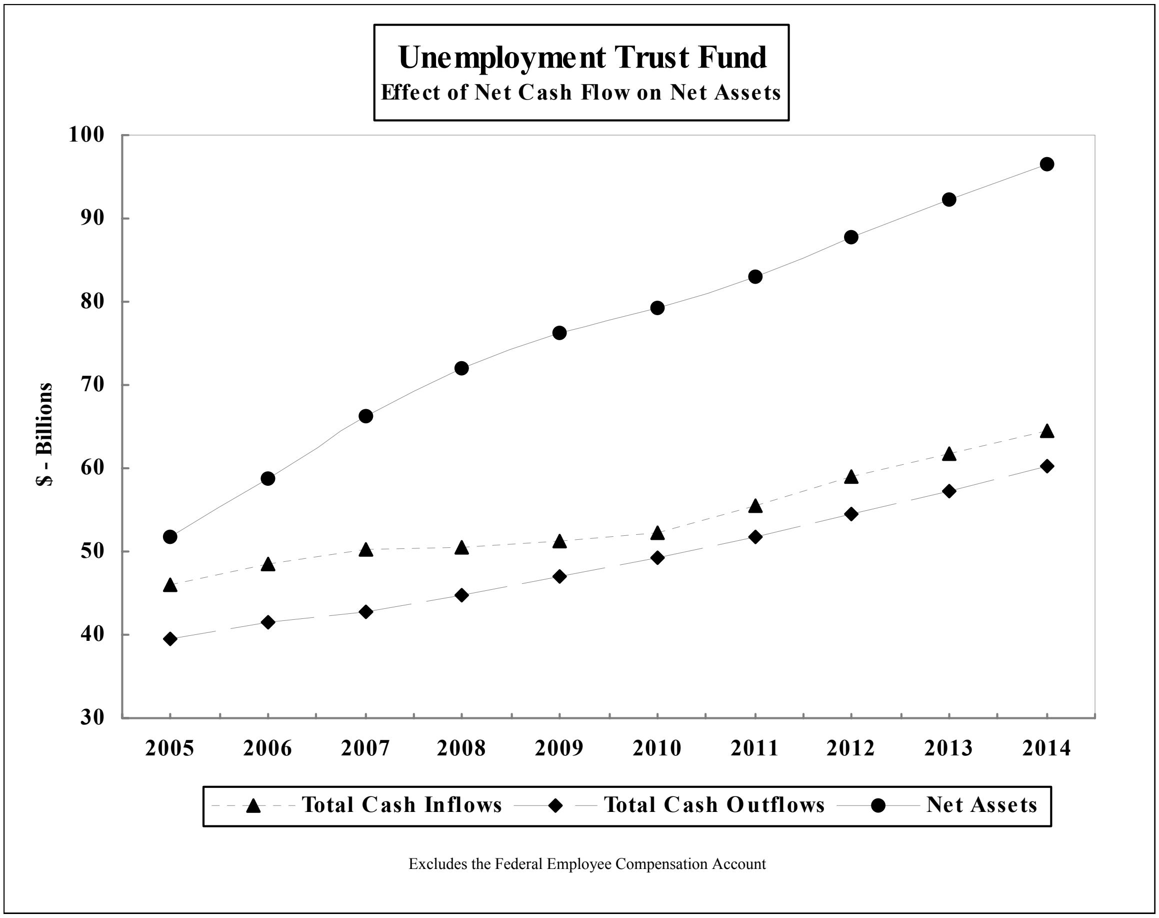
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Effect of Expected Cash Flows on UTF Assets

Chart II demonstrates the effect of these expected cash inflows and outflows on the net assets of the UTF over the ten year period ended September 30, 2014. Yearly projected total cash inflows, including interest earnings, and cash outflows are depicted, as well as the net effect of this cash flow on UTF assets.

Total cash inflows exceed cash outflows for all years projected, with this excess peaking in 2007. Starting at $51.7 billion in FY 2005, net UTF assets increase by 87% over the next nine years to $96.5 billion by the end of FY 2014.

Chart II



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

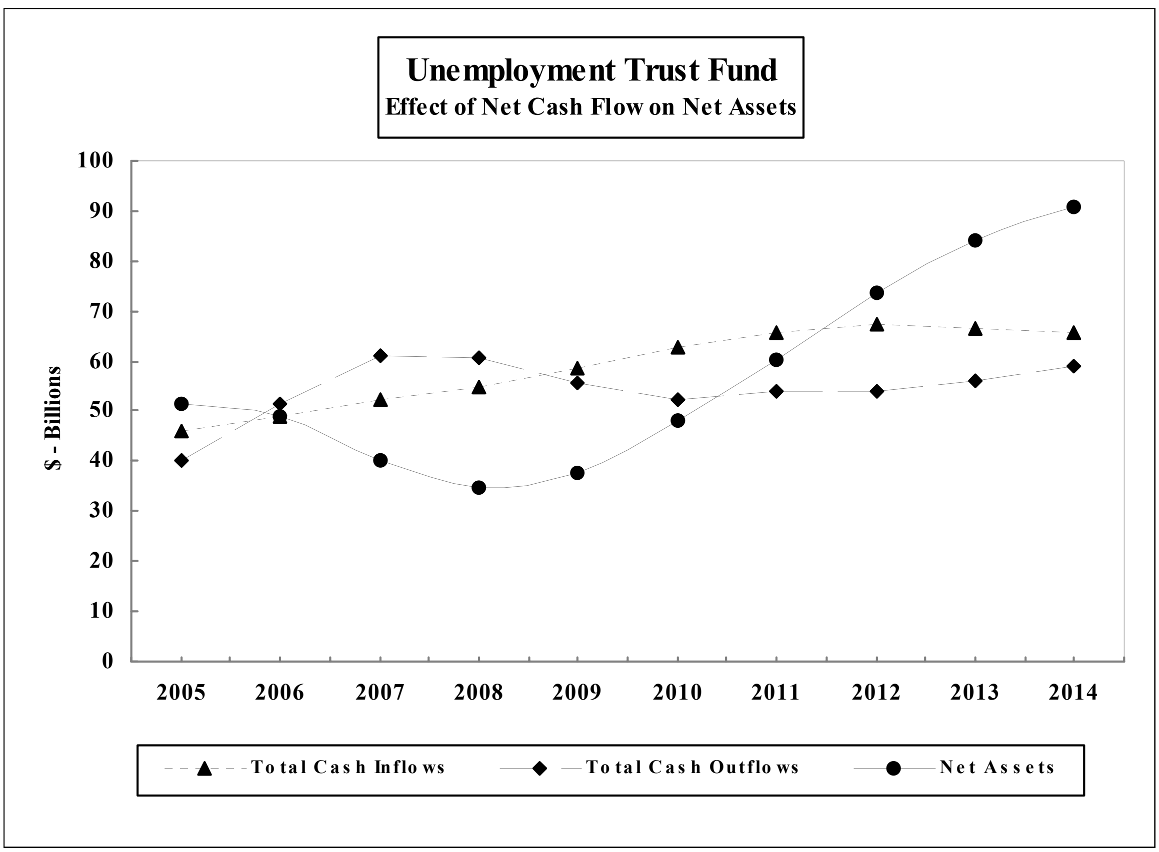
Recessionary Scenarios

Charts III and IV demonstrate the effect on accumulated UTF assets of projected total cash inflows and cash outflows of the UTF over the ten year period ending September 30, 2014, under mild and severe recession scenarios. Each scenario uses an open group, which includes current and future participants in the UI program. Charts III and IV assume increased rates of unemployment during mild and deep periods of recession.

Effect on UTF Assets of Mild Recession

The Department projects the effect of moderate recession on the cash inflows and outflows of the UTF. Under this scenario, which utilizes an unemployment rate peaking at 7.43% in FY 2007, net cash outflows are projected in FY 2006 through FY 2008. Net cash inflows are reestablished in FY 2009 and peak in FY 2012 with a drop in the unemployment rate to 5.18%. Net assets never fall below $33.9 billion and are within $6.4 billion of the balance under expected economic conditions by 2014. The crossover pattern remains the same when interest earnings are excluded.

Chart III



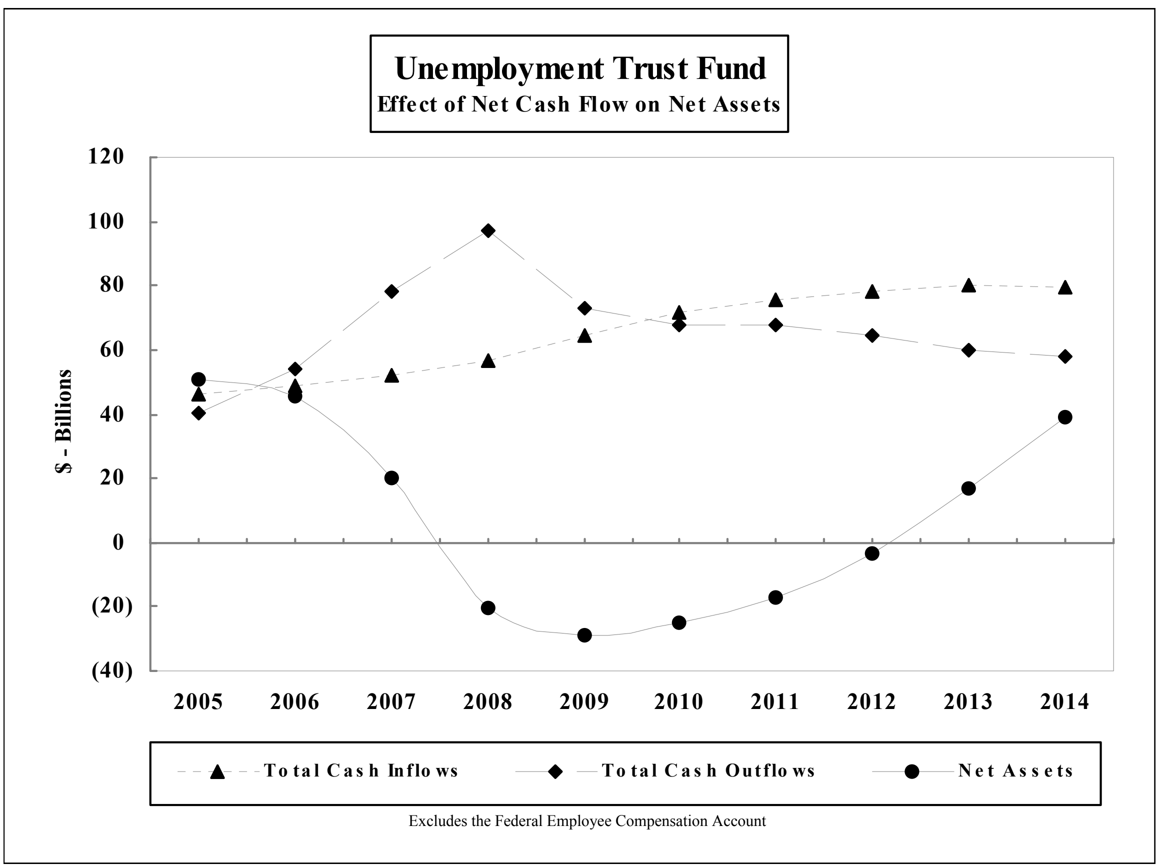
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Effect on UTF Assets of Deep Recession

The Department also estimates the effect of severe recession on the cash inflows and outflows of the UTF. This scenario assumes a rising unemployment rate peaking at 10.15% in FY 2008. Under this scenario, net cash outflows are projected in FY 2006 through FY 2009, with the fund in a deficit situation from 2008 to 2012. The net assets of the UTF decrease from $50.9 billion in FY 2005 to negative $28.9 billion in 2009, a decline of $79.8 billion. State accounts without sufficient reserve balances to absorb negative cash flows would be forced to borrow funds from the FUA to meet benefit payment requirements. State borrowing demands could also deplete the FUA, which borrows from the ESAA and the EUCA until they are depleted. The FUA would then require advances from the general fund of the U.S. Treasury to provide for State borrowings. (See discussion of State solvency measures following.)

Net cash inflows are reestablished in FY 2010, with a drop in the unemployment rate to 7.28%. By the end of FY 2014, this positive cash flow has replenished UTF account balances to $38.7 billion at a growth rate higher than prior to the recession. This example demonstrates the counter cyclical nature of the UI program, which experiences net cash outflows during periods of recession, to be replenished through net cash inflows during periods of recovery. However, at the end of the projection period, net assets are still $57.8 billion less than under expected economic conditions.

Chart IV



Tables containing the total yearly cash inflow, interest earnings and cash outflow for each scenario are presented in the following pages.

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, 2014

(1) EXPECTED ECONOMIC CONDITIONS

(Dollars in thousands)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Balance, start of year	$ 45,240,552	$ 51,713,792	$ 58,699,634	$ 66,282,965	$ 72,041,495	$ 76,349,212	$ 79,309,577	$ 83,053,670	$ 87,683,088	$ 92,218,262
Cash inflow										
State unemployment taxes	36,507,000	38,884,000	40,255,000	41,350,000	41,808,000	42,198,000	44,714,000	47,345,000	49,206,000	50,886,000
Federal unemployment taxes	7,007,000	7,133,000	7,325,000	5,953,000	5,822,000	6,104,000	6,588,000	7,094,000	7,575,000	8,265,000
General revenue appropriation	400	600	700	600	800	800	800	800	800	800
Interest on loans	46,000	16,000	14,000	24,000	37,000	57,000	72,000	96,000	140,000	214,000
CMIA receipts	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Deposits by the Railroad Retirement Board	102,500	109,100	125,200	126,100	111,000	100,000	107,900	121,700	125,000	119,700
Total cash inflow excluding interest	43,665,900	46,145,700	47,722,900	47,456,700	47,781,800	48,462,800	51,485,700	54,660,500	57,049,800	59,488,500
Interest on Federal securities	2,381,221	2,345,688	2,629,035	2,963,831	3,441,631	3,823,401	4,111,480	4,402,242	4,702,133	4,942,811
Total cash inflow	46,047,121	48,491,388	50,351,935	50,420,531	51,223,431	52,286,201	55,597,180	59,062,742	61,751,933	64,431,311
Cash outflow										
State unemployment benefits	35,551,000	37,620,000	38,907,000	40,782,000	43,022,000	45,370,000	47,818,000	50,317,000	53,017,000	55,851,000
State administrative costs	3,762,902	3,627,898	3,602,516	3,617,053	3,626,668	3,681,993	3,754,571	3,829,367	3,905,558	3,984,153
Federal administrative costs	142,760	143,221	145,857	148,898	151,581	156,119	160,700	165,326	169,997	174,705
Interest on tax refunds	3,239	2,827	2,871	2,370	2,505	2,784	3,116	3,431	3,724	4,100
Railroad Retirement Board withdrawals	113,980	111,600	110,360	111,680	112,960	114,940	116,700	118,200	120,480	121,700
Total cash outflow	39,573,881	41,505,546	42,768,604	44,662,001	46,915,714	49,325,836	51,853,087	54,433,324	57,216,759	60,135,658
Excess of total cash inflow excluding interest over total cash outflow	4,092,019	4,640,154	4,954,296	2,794,699	866,086	(863,036)	(367,387)	227,176	(166,959)	(647,158)
Excess of total cash inflow over total cash outflow	6,473,240	6,985,842	7,583,331	5,758,530	4,307,717	2,960,365	3,744,093	4,629,418	4,535,174	4,295,653
Balance, end of year	$ 51,713,792	$ 58,699,634	$ 66,282,965	$ 72,041,495	$ 76,349,212	$ 79,309,577	$ 83,053,670	$ 87,683,088	$ 92,218,262	$ 96,513,915
Total unemployment rate	5.35%	5.30%	5.15%	5.10%	5.10%	5.10%	5.10%	5.10%	5.10%	5.10%

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, 2014

(2) MILD RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Balance, start of year	$ 45,240,552	$ 50,906,800	$ 48,502,588	$ 39,617,339	$ 33,983,002	$ 37,071,632	$ 47,479,537	$ 59,573,832	$ 73,012,704	$ 83,377,480
Cash inflow										
State unemployment taxes	36,471,000	39,370,000	42,386,000	45,956,000	48,910,000	50,964,000	51,990,000	51,489,000	51,039,000	51,988,000
Federal unemployment taxes	6,990,000	7,367,000	7,563,000	6,747,000	7,257,000	8,696,000	10,442,000	11,725,000	10,745,000	8,721,000
General revenue appropriation	500	11,800	33,900	28,000	4,200	500	800	600	600	800
Interest on loans	46,000	16,000	14,000	24,000	37,000	57,000	72,000	96,000	140,000	214,000
CMIA receipts	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Deposits by the Railroad Retirement Board	102,500	109,100	125,200	126,100	111,000	100,000	107,900	121,700	125,000	119,700
Total cash inflow excluding interest	43,613,000	46,876,900	50,125,100	52,884,100	56,322,200	59,820,500	62,615,700	63,435,300	62,052,600	61,046,500
Interest on Federal securities	2,358,221	2,164,688	2,084,035	2,084,831	2,384,631	2,796,401	3,281,480	3,817,242	4,333,133	4,700,811
Total cash inflow	45,971,221	49,041,588	52,209,135	54,968,931	58,706,831	62,616,901	65,897,180	67,252,542	66,385,733	65,747,311
Cash outflow										
State unemployment benefits	36,282,000	47,372,000	56,866,000	56,385,000	51,524,000	48,168,000	49,713,000	49,683,000	51,819,000	54,728,000
State administrative costs	3,763,002	3,816,059	3,969,203	3,955,004	3,826,538	3,765,971	3,807,546	3,841,473	3,906,197	3,984,153
Federal administrative costs	142,760	143,221	145,857	148,898	151,581	156,119	160,700	165,326	169,997	174,705
Interest on tax refunds	3,231	2,920	2,964	2,686	3,122	3,966	4,939	5,671	5,283	4,327
Railroad Retirement Board withdrawals	113,980	111,600	110,360	111,680	112,960	114,940	116,700	118,200	120,480	121,700
Total cash outflow	40,304,973	51,445,800	61,094,384	60,603,268	55,618,201	52,208,996	53,802,885	53,813,670	56,020,957	59,012,885
Excess of total cash inflow excluding interest over total cash outflow	3,308,027	(4,568,900)	(10,969,284)	(7,719,168)	703,999	7,611,504	8,812,815	9,621,630	6,031,643	2,033,615
Excess of total cash inflow over total cash outflow	5,666,248	(2,404,212)	(8,885,249)	(5,634,337)	3,088,630	10,407,905	12,094,295	13,438,872	10,364,776	6,734,426
Balance, end of year	$ 50,906,800	$ 48,502,588	$ 39,617,339	$ 33,983,002	$ 37,071,632	$ 47,479,537	$ 59,573,832	$ 73,012,704	$ 83,377,480	$ 90,111,906
Total unemployment rate	5.45%	6.60%	7.43%	7.13%	6.35%	5.63%	5.48%	5.18%	5.10%	5.10%

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, 2014

(3) DEEP RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Balance, start of year	$ 45,240,552	$ 50,861,800	$ 45,704,391	$ 19,915,557	$ (20,163,071)	$ (28,934,517)	$ (24,739,902)	$ (17,131,796)	$ (3,409,255)	$ 17,008,137
Cash inflow										
State unemployment taxes	36,477,000	39,313,000	42,661,000	47,984,000	54,485,000	58,830,000	60,253,000	60,548,000	60,102,000	58,435,000
Federal unemployment taxes	6,990,000	7,330,000	7,524,000	6,739,000	7,695,000	10,291,000	12,315,000	14,511,000	16,049,000	16,720,000
General revenue appropriation	500	15,400	70,500	103,600	73,700	14,000	10,700	6,900	1,200	400
Interest on loans	46,000	16,000	14,000	24,000	37,000	57,000	72,000	96,000	140,000	214,000
CMIA receipts	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Deposits by the Railroad Retirement Board	102,500	109,100	125,200	126,100	111,000	100,000	107,900	121,700	125,000	119,700
Total cash inflow excluding interest	43,619,000	46,786,500	50,397,700	54,979,700	62,404,700	69,295,000	72,761,600	75,286,600	76,420,200	75,492,100
Interest on Federal securities	2,354,221	2,121,688	1,909,035	1,822,831	2,033,631	2,353,401	2,723,480	3,138,242	3,625,133	4,118,811
Total cash inflow	45,973,221	48,908,188	52,306,735	56,802,531	64,438,331	71,648,401	75,485,080	78,424,842	80,045,333	79,610,911
Cash outflow										
State unemployment benefits	36,329,000	49,943,000	73,553,000	91,491,000	67,431,000	61,539,000	62,134,000	59,270,000	54,834,000	53,614,000
State administrative costs	3,763,002	3,864,871	4,283,403	4,626,898	4,210,926	4,039,034	4,059,750	4,041,757	3,995,573	3,999,494
Federal administrative costs	142,760	143,221	145,857	148,898	151,581	156,119	160,700	165,326	169,997	174,705
Interest on tax refunds	3,231	2,905	2,949	2,683	3,310	4,693	5,824	7,018	7,891	8,295
Interest on General Fund advances	-	-	-	500,000	1,300,000	1,600,000	1,400,000	1,100,000	500,000	-
Railroad Retirement Board withdrawals	113,980	111,600	110,360	111,680	112,960	114,940	116,700	118,200	120,480	121,700
Total cash outflow	40,351,973	54,065,597	78,095,569	96,881,159	73,209,777	67,453,786	67,876,974	64,702,301	59,627,941	57,918,194
Excess of total cash inflow excluding interest over total cash outflow	3,267,027	(7,279,097)	(27,697,869)	(41,901,459)	(10,805,077)	1,841,214	4,884,626	10,584,299	16,792,259	17,573,906
Excess of total cash inflow over total cash outflow	5,621,248	(5,157,409)	(25,788,834)	(40,078,628)	(8,771,446)	4,194,615	7,608,106	13,722,541	20,417,392	21,692,717
Balance, end of year	$ 50,861,800	$ 45,704,391	$ 19,915,557	$ (20,163,071)	$ (28,934,517)	$ (24,739,902)	$ (17,131,796)	$ (3,409,255)	$ 17,008,137	$ 38,700,854
Total unemployment rate	5.45%	6.93%	9.08%	10.15%	7.83%	7.28%	7.05%	6.43%	5.65%	5.20%

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

States Minimally Solvent

Each State's accumulated UTF net assets or reserve balance should provide a defined level of benefit payments over a defined period. To be minimally solvent, a State's reserve balance should provide for one year's projected benefit payment needs based on the highest levels of benefit payments experienced by the State over the last twenty years. A ratio of 1.0 or greater prior to a recession indicates a state is minimally solvent. States below this level are vulnerable to exhausting their funds in a recession. States exhausting their reserve balance must borrow funds from the Federal Unemployment Account (FUA) to make benefit payments. The Missouri, New York and Minnesota state accounts had loans payable to FUA at the end of FY 2004. In addition, Texas, Illinois and North Carolina had outstanding debts to other sources. During periods of high-sustained unemployment, balances in the FUA may be depleted. In these circumstances, FUA is authorized to borrow from the Treasury general fund.

Chart V presents the State by State results of this analysis at September 30, 2004, in descending order, by ratio. As the table below illustrates, 32 state funds were below minimal solvency ratio at September 30, 2004.

Chart V

Minimally Solvent			Not Minimally Solvent	
State	Ratio		State	Ratio
New Mexico	2.99		Tennessee	0.99
Mississippi	2.78		Florida	0.96
Vermont	2.08		Kansas	0.96
Maine	1.76		Nebraska	0.91
Virgin Islands	1.76		Maryland	0.86
New Hampshire	1.66		Wisconsin	0.84
Hawaii	1.60		South Carolina	0.81
Montana	1.60		Alaska	0.80
Iowa	1.59		Washington	0.80
Wyoming	1.59		West Virginia	0.78
Delaware	1.56		South Dakota	0.73
Arizona	1.54		Alabama	0.66
Louisiana	1.50		Kentucky	0.61
District of Columbia	1.47		North Dakota	0.56
Utah	1.35		Connecticut	0.55
Puerto Rico	1.26		Rhode Island	0.52
Oregon	1.23		Idaho	0.49
Oklahoma	1.22		New Jersey	0.45
Indiana	1.11		Virginia	0.45
Nevada	1.10		Ohio	0.44
Georgia	1.07		Michigan	0.42
			Arkansas	0.31
			Pennsylvania	0.29
			Colorado	0.19
			California	0.17
			Massachusetts	0.08
			North Carolina	0.00
			Illinois	0.00
			Minnesota	0.00
			Missouri	0.00
			New York	0.00
			Texas	0.00

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Black Lung Disability Benefit Program

The Black Lung Disability Benefit Program provides for compensation, medical and survivor benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease) arising out of their coal mine employment. The U.S. Department of Labor operates the Black Lung Disability Benefit Program. The Black Lung Disability Trust Fund (BLDTF) provides benefit payments to eligible coal miners disabled by pneumoconiosis when no responsible mine operator can be assigned the liability.

Program Administration and Funding

Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the sale of coal, as are the fund's administrative costs. These taxes are collected by the Internal Revenue Service and transferred to the BLDTF, which was established under the authority of the Black Lung Benefits Revenue Act, and administered by the U.S. Department of the Treasury. The Black Lung Benefits Revenue Act provides for repayable advances to the BLDTF from the general fund of the Treasury, in the event that BLDTF resources are not adequate to meet program obligations.

Program Finances and Sustainability

At September 30, 2004, total liabilities of the Black Lung Disability Trust Fund exceeded assets by $8.7 billion. This deficit fund balance represented the accumulated shortfall of excise taxes necessary to meet benefit payment and interest expenses. This shortfall was funded by repayable advances to the BLDTF, which are repayable with interest. Outstanding advances at September 30, 2004 were $8.7 billion, bearing interest rates ranging from 5.375 to 13.875 percent. Excise tax revenues of $566.0 million, benefit payment expense of $344.3 million and interest expense of $650.6 million were recognized for the year ended September 30, 2004.

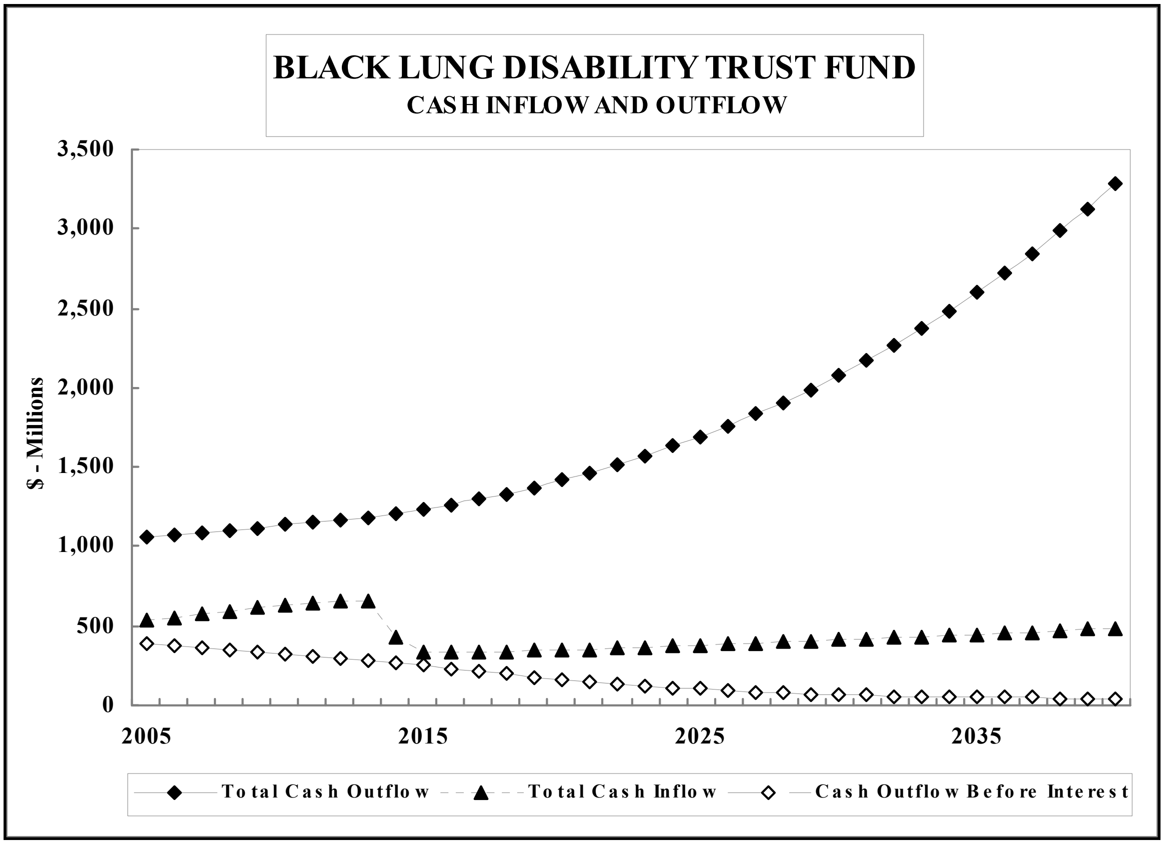
As discussed in Note 1.L.3, DOL recognized a liability for disability benefits to the extent of unpaid benefits applicable to the current period. Accrued disability benefits payable at September 30, 2004 were $25.3 million. Although no liability was recognized for future payments to be made to present 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 production estimates, the tax rate structure, number of beneficiaries, life expectancy, medical costs and the interest rate on new repayable advances from Treasury. These projections are sensitive to changes in the tax rate and changes in interest rates on repayable advances from Treasury.

These projections, made over the thirty-six year period ending September 30, 2040, indicate that cash inflows from excise taxes will exceed cash outflows for benefit payments and administrative expenses for each period projected. Cumulative net cash inflows are projected to reach $16.2 billion by the year 2040. However, when interest payments required to finance the BLDTF's repayable advances are applied against this surplus cash inflow, the BLDTF's cash flow turns negative during each of the thirty-six periods included in the projections. Net cash outflows after interest payments are projected to reach $47.2 billion by the end of the year 2040, increasing the BLDTF's deficit to $55.9 billion at September 30, 2040. (See Chart I on following page.)

The net present value of future benefit payments for the thirty-six year period ending 2040 is $2.9 billion. The net present value of future excise taxes for the thirty-six year period is $7.7 billion which results in a $4.8 billion excess of excise taxes over benefit payments. However, the net present value of total cash outflows, including interest payments and administrative costs, is $23.6 billion resulting in an excess of cash outflows over excise taxes of $15.9 billion. The interest rate used for net present value is 5.25 percent.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Chart I



The projected decrease in cash inflows in the year 2014 and thereafter is the result of a scheduled reduction in the tax rate on the sale of coal. This rate reduction is projected to result in a fifty-eight percent decrease in the amount of excise taxes collected between the years 2013 and 2015. The cumulative effect of this change is estimated to be in excess of $10.9 billion by the year 2040.

Yearly cash inflows and outflows are presented in the table on the following page.

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE BLACK LUNG DISABILITY TRUST FUND
FOR THE THIRTY-SIX YEAR PERIOD ENDING SEPTEMBER 30, 2040

(Dollars in thousands)	2005	2006	2007	2008	2009	2010 - 2040	Total
Cash inflow							
Excise taxes	$ 540,000	$ 552,000	$ 572,000	$ 594,000	$ 611,000	$ 13,371,443	$ 16,240,443
Interest	-	-	-	-	-	-	-
Total cash inflow	540,000	552,000	572,000	594,000	611,000	13,371,443	16,240,443
Cash outflow							
Disabled coal miners benefits	327,986	313,104	299,553	285,337	270,447	3,276,713	4,773,140
Administrative costs	57,049	58,725	60,684	62,764	65,259	979,538	1,284,019
Cash outflows before interest payments	385,035	371,829	360,237	348,101	335,706	4,256,251	6,057,159
Cash inflow over cash outflow before interest payments	154,965	180,171	211,763	245,899	275,294	9,115,192	10,183,284
Interest on advances	671,122	696,827	724,209	752,599	781,531	53,784,805	57,411,093
Total cash outflow	1,056,157	1,068,656	1,084,446	1,100,700	1,117,237	58,041,056	63,468,252
Total cash outflow over total cash inflow	(516,157)	(516,656)	(512,446)	(506,700)	(506,237)	(44,669,613)	(47,227,809)
Balance, start of year	(8,711,444)	(9,227,601)	(9,744,257)	(10,256,703)	(10,763,403)	(11,269,640)	(8,711,444)
Balance, end of year	$ (9,227,601)	$ (9,744,257)	$ (10,256,703)	$ (10,763,403)	$ (11,269,640)	$ (55,939,253)	$ (55,939,253)

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF BUDGETARY RESOURCES

The principal Statement of Budgetary Resources combines the availability, status and outlay of DOL's budgetary resources during FY 2004 and 2003. Presented on the following pages is the disaggregation of this combined information for each of the Department's major budget accounts.

REQUIRED SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2004

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration
BUDGETARY RESOURCES			
Budget authority			
Appropriations received	$ 54,241,769	$ 1,993,802	$ 460,786
Net transfers	(565,235)	502,865	-
Unobligated balance			
Beginning of period	1,615,419	1,460,715	17,927
Net transfers	(589)	(147)	(883)
Spending authority from offsetting collections			
Earned			
Collected	100,753	2,350,388	8,462
Receivable from Federal sources	(418)	(17,284)	(412)
Change in unfilled customer orders			
Advance received	-	(5,315)	-
Transfers from trust funds	3,554,031	34,025	-
Total spending authority from offsetting collections	3,654,366	2,361,814	8,050
Recoveries of prior year obligations	347,462	10,731	14,665
Temporarily not available pursuant to Public Law	(22,646)	(15)	-
Permanently not available	(176,850)	(6,897)	(7,579)
Total budgetary resources	$ 59,093,696	$ 6,322,868	$ 492,966
STATUS OF BUDGETARY RESOURCES			
Obligations incurred			
Direct	$ 56,940,460	$ 2,409,831	$ 466,813
Reimbursable	73,911	2,484,876	4,059
Total obligations incurred	57,014,371	4,894,707	470,872
Unobligated balances available			
Apportioned	1,221,910	1,109,138	34
Exempt from apportionment	(5)	-	-
Other available	-	212,547	-
Unobligated balances not available	857,420	106,476	22,060
Total status of budgetary resources	$ 59,093,696	$ 6,322,868	$ 492,966
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS			
Obligated balance, net, beginning	$ 8,400,538	$ 261,764	$ 83,179
Obligated balance, net, ending			
Accounts receivable	(1,336,364)	(1,107)	(475)
Undelivered orders	5,529,146	77,114	43,145
Accounts payable	3,204,978	253,276	27,543
Outlays			
Disbursements	57,637,954	4,833,741	469,585
Collections	(3,622,638)	(2,379,098)	(8,462)
Total outlays	54,015,316	2,454,643	461,123
Offsetting receipts	(1,542,933)	(6,539)	-
Net outlays	$ 52,472,383	$ 2,448,104	$ 461,123

REQUIRED SUPPLEMENTARY INFORMATION

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Total
$ 447,088	$ 270,826	$ 124,962	$ 26,550	$ 473,791	$ 58,039,574
-	-	-	-	42,491	(19,879)
11,616	14,422	1,946	1,795	50,156	3,173,996
(1,304)	(331)	(169)	(51)	(34,118)	(37,592)
7,588	2,058	10,812	144	165,327	2,645,532
(794)	(839)	(236)	(70)	(4,056)	(24,109)
-	-	-	-	(219)	(5,534)
74,667	-	-	192,253	29,749	3,884,725
81,461	1,219	10,576	192,327	190,801	6,500,614
9,151	2,876	1,622	1,103	76,021	463,631
-	-	-	-	-	(22,661)
(7,424)	(2,918)	(1,447)	(157)	(4,081)	(207,353)
$ 540,588	$ 286,094	$ 137,490	$ 221,567	$ 795,061	$ 67,890,330
$ 522,100	$ 276,058	$ 125,328	$ 215,336	$ 610,319	$ 61,566,245
5,507	904	10,352	-	166,690	2,746,299
527,607	276,962	135,680	215,336	777,009	64,312,544
466	5,834	24	5,274	1,724	2,344,404
-	-	-	-	-	(5)
-	-	-	-	161	212,708
12,515	3,298	1,786	957	16,167	1,020,679
$ 540,588	$ 286,094	$ 137,490	$ 221,567	$ 795,061	$ 67,890,330
$ 57,906	$ 20,452	$ 39,095	$ 55,215	$ 446,685	$ 9,364,834
-	(35)	-	-	(6,645)	(1,344,626)
33,279	11,191	31,216	18,416	484,041	6,227,548
31,911	15,927	8,587	39,833	46,849	3,628,904
511,967	268,294	133,585	211,268	627,485	64,693,879
(82,255)	(2,058)	(10,812)	(192,397)	(194,858)	(6,492,578)
429,712	266,236	122,773	18,871	432,627	58,201,301
-	-	-	-	-	(1,549,472)
$ 429,712	$ 266,236	$ 122,773	$ 18,871	$ 432,627	$ 56,651,829

REQUIRED SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2003

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration
BUDGETARY RESOURCES			
Budget authority			
Appropriations received	$ 65,489,498	$ 1,657,892	$ 453,256
Net transfers	(605,878)	525,000	-
Unobligated balance			
Beginning of period	1,575,277	1,301,463	16,163
Net transfers	(781)	(363)	(402)
Spending authority from offsetting collections			
Earned			
Collected	61,721	2,381,620	6,380
Receivable from Federal sources	497	(45,082)	807
Change in unfilled customer orders			
Advance received	-	17,466	-
Without advances from Federal sources	-	-	-
Transfers from trust funds	3,690,196	34,003	-
Total spending authority from offsetting collections	3,752,414	2,388,007	7,187
Recoveries of prior year obligations	231,926	5,722	12,210
Permanently not available	(224,999)	(3,533)	(6,139)
Total budgetary resources	$ 70,217,457	$ 5,874,188	$ 482,275
STATUS OF BUDGETARY RESOURCES			
Obligations incurred			
Direct	$ 68,582,902	$ 2,021,901	$ 459,864
Reimbursable	19,344	2,391,572	4,484
Total obligations incurred	68,602,246	4,413,473	464,348
Unobligated balances available			
Apportioned	1,268,996	1,100,707	919
Exempt from apportionment	(208)	-	-
Other available	-	207,223	-
Unobligated balances not available	346,423	152,785	17,008
Total status of budgetary resources	$ 70,217,457	$ 5,874,188	$ 482,275
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS			
Obligated balance, net, beginning	$ 9,777,073	$ 171,155	$ 99,381
Obligated balance transferred, net	1,304,116	-	-
Obligated balance, net, ending			
Accounts receivable	(1,304,637)	(18,390)	(887)
Undelivered orders	6,530,531	31,031	49,972
Accounts payable	3,174,644	249,123	34,094
Outlays			
Disbursements	70,005,263	4,363,272	470,372
Collections	(4,011,032)	(2,434,137)	(9,219)
Total outlays	65,994,231	1,929,135	461,153
Offsetting receipts	(1,270,628)	(6,611)	-
Net outlays	$ 64,723,603	$ 1,922,524	$ 461,153

REQUIRED SUPPLEMENTARY INFORMATION

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Total
$ 423,893	$ 274,741	$ 117,045	$ 26,900	$ 494,253	$ 68,937,478
-	-	-	-	-	(80,878)
18,021	5,267	2,814	1,968	50,629	2,971,602
(1,166)	(457)	(145)	(161)	2,743	(732)
6,390	946	9,978	185	165,819	2,633,039
780	859	236	70	(3,995)	(45,828)
-	-	-	-	184	17,650
-	-	-	-	(2,396)	(2,396)
71,561	-	-	187,312	29,154	4,012,226
78,731	1,805	10,214	187,567	188,766	6,614,691
7,506	2,542	972	870	47,218	308,966
(6,437)	(2,895)	(1,113)	(1,392)	(4,348)	(250,856)
$ 520,548	$ 281,003	$ 129,787	$ 215,752	$ 779,261	$ 78,500,271
$ 502,893	$ 265,842	$ 118,397	$ 213,957	$ 565,725	$ 72,731,481
6,039	739	9,444	-	163,380	2,595,002
508,932	266,581	127,841	213,957	729,105	75,326,483
1,337	10,958	265	1,031	38,809	2,423,022
-	-	-	-	-	(208)
-	-	-	-	177	207,400
10,279	3,464	1,681	764	11,170	543,574
$ 520,548	$ 281,003	$ 129,787	$ 215,752	$ 779,261	$ 78,500,271
$ 60,229	$ 23,138	$ 41,949	$ 19,557	$ 346,188	$ 10,538,670
-	-	-	-	-	1,304,116
(794)	(874)	(236)	(70)	(10,701)	(1,336,589)
28,551	11,946	31,201	21,133	408,154	7,112,519
30,149	9,380	8,130	34,152	49,232	3,588,904
502,992	266,400	129,486	206,347	590,189	76,534,321
(77,974)	(1,480)	(9,978)	(216,485)	(199,960)	(6,960,265)
425,018	264,920	119,508	(10,138)	390,229	69,574,056
-	-	-	-	-	(1,277,239)
$ 425,018	$ 264,920	$ 119,508	$ (10,138)	$ 390,229	$ 68,296,817

REQUIRED SUPPLEMENTARY INFORMATION

DEFERRED MAINTENANCE

The U.S. Department of Labor, Employment and Training Administration (ETA) maintains ninety-six (96) Job Corps centers located throughout the United States. While the ETA does fund safety, health, and environmental projects in the year those deficiencies are identified, funding constraints limit the extent of maintenance that the ETA can undertake each fiscal year. Consequently, maintenance projects are not always performed as scheduled and, therefore, must be deferred to a future period.

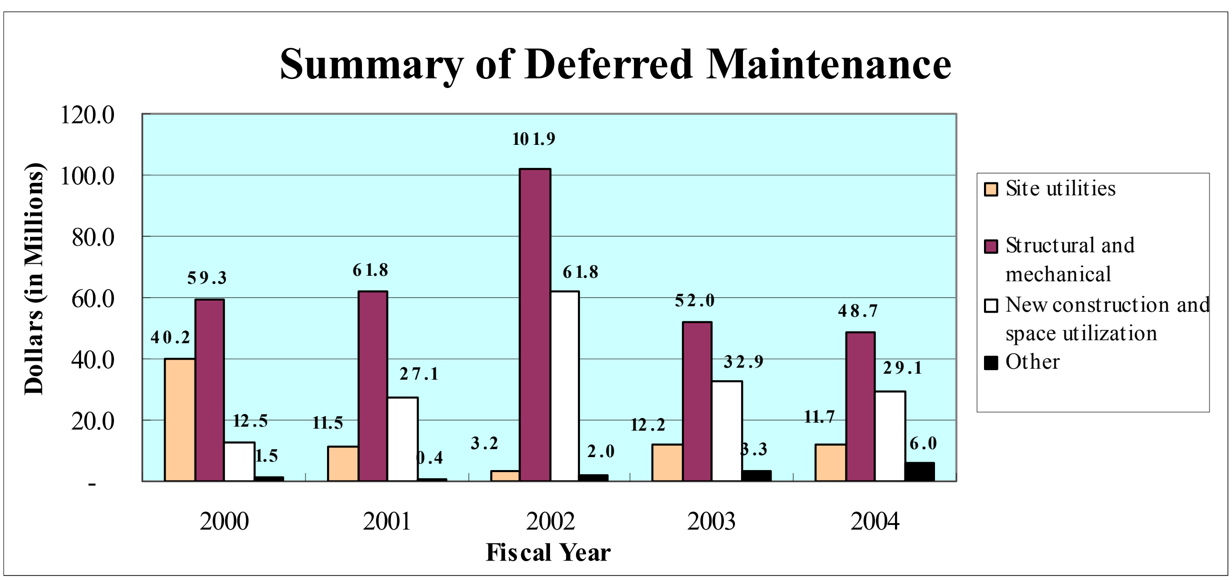
Condition assessment surveys are conducted every three years at each Job Corps center, one third of the centers each year, to determine the current condition of facilities and the estimated cost to correct deficiencies. The surveys are based on methods and standards that are applied on a consistent basis, including:

- condition descriptions of facilities,
- recommended maintenance schedules,
- estimated costs for maintenance actions, and
- standardized condition codes.

These surveys evaluate the facilities at each Job Corps center to identify:

- rehabilitation projects that are required to provide for health and safety, or upgrade to an acceptable state of repair,
- present utilization,
- health and safety programs,
- barrier-free access,
- maintenance, operations, and security programs,
- energy usage,
- natural hazards, and
- conformance to U.S. Environmental Protection Agency and applicable air and water quality standards.

The total estimated cost of deferred maintenance for the most recent surveys of the Job Corps centers for fiscal years 2000 to 2004 is presented below. Amounts reported in fiscal years 2003 and 2004 reflect a change in estimation methods.



REQUIRED SUPPLEMENTARY INFORMATION

SEGMENT INFORMATION

Franchise and intra-governmental support revolving funds not separately reported on the principal financial statements are required to report certain supplementary information. The Department of Labor's Working Capital Fund qualifies under this definition. Required supplementary information for the Working Capital Fund is presented below.

Working Capital Fund

The Working Capital Fund was established to provide obligational authority, without fiscal year limitation, for expenses necessary to provide certain centralized services and activities to agencies within DOL. These agencies are identified in the condensed financial information.

The WCF is an intra-governmental revolving fund authorized specifically by law to finance a cycle of operations in which expenditures generate receipts which are available to the Fund for continuing use without annual re-authorization by Congress.

The Fund provides services on a centralized basis for the following Departmental activities:

- **Financial and Administrative Services -** This activity provides a program of centralized administrative management services at both national and regional levels.

- **Field Services -** This activity provides a full range of administrative, technical, and managerial support services to all agencies of the Department in their regional and field offices.

- **Human Resources Services -** This activity provides guidance and technical assistance to DOL personnel offices in all areas of human resources management and provides a full range of operating personnel services to all Assistant Secretary for Administration and Management client organizations.

- **Capitalized Equipment -** The collection of funds for the periodic recordation of depreciation, amortization and system support are held and made available to fund future acquisitions of major systems and system components that provide a service or benefit to agencies within DOL and ensure the Department has funds available to either extend the useful life or improve major asset acquisitions.

- **Investment in Reinvention Fund -** The IRF was established within the WCF in FY 1996 to invest in Departmental projects designed to achieve improvements in agency processes and result in significant savings to the taxpayer.

The activities are provided under the overall direction of the Assistant Secretary for Administration and Management. The WCF advisory committee assists in reviewing overall procedures, systems, and regulations as well as programs, functions, and activities performed and financed through the WCF. The WCF advisory committee is chaired by the Chief Financial Officer and consists of the Agency Financial Manager for each DOL agency, or a formally designated alternate.

REQUIRED SUPPLEMENTARY INFORMATION

Condensed financial information for the WCF as of and for the years ended September 30, 2004 and 2003 is as follows:

(Dollars in thousands)	2004	2003
BALANCE SHEET		
Assets		
Funds with U.S. Treasury	$ 28,180	$ 24,592
Accounts receivable, net of allowance	3,647	5,894
Property, plant and equipment	26,695	24,936
Total assets	$ 58,522	$ 55,422
Liabilities and Net Position		
Accounts payable	$ 14,496	$ 12,835
Accrued leave	4,192	3,969
Future workers' compensation benefits	2,562	3,991
Other liabilities	3,716	3,611
Total liabilities	24,966	24,406
Cumulative results of operations	33,556	31,016
Total liabilities and net position	$ 58,522	$ 55,422
STATEMENT OF NET COST		
Cost		
Intra-governmental	$ 51,798	$ 49,280
With the public	87,624	88,941
	139,422	138,221
Earned		
Departmental Management	(36,449)	(33,600)
Employment Standards Administration	(33,419)	(31,293)
Employment and Training Administration	(21,913)	(20,593)
Occupational Safety and Health Administration	(20,109)	(18,865)
Bureau of Labor Statistics	(13,801)	(12,899)
Mine Safety and Health Administration	(9,121)	(9,049)
Other revenues	715	(5,805)
Total revenues	(134,097)	(132,104)
Net costs of operations	$ 5,325	$ 6,117
STATEMENT OF CHANGES IN NET POSITION		
Net costs of operations	$ (5,325)	$ (6,117)
Imputed financing	4,865	4,780
Transfers-in	3,000	3,000
Net position, beginning of period	31,016	29,353
Net position, ending of period	$ 33,556	$ 31,016

REQUIRED SUPPLEMENTARY INFORMATION

INTRA-GOVERNMENTAL ASSETS

Intra-governmental assets at September 30, 2004 consisted of the following:

(Dollars in thousands)	Funds with U.S. Treasury	Investments	Interest Receivable	Accounts Receivable
Trading partner				
Department of Agriculture	$ -	$ -	$ -	$ 183,573
Department of Commerce	-	-	-	32,547
Department of Interior	-	-	-	140,869
Department of Justice	-	-	-	163,690
Department of the Navy	-	-	-	642,887
United States Postal Service	-	-	-	310,415
Department of State	-	-	-	19,168
Department of the Treasury	9,700,757	45,446,510	580,180	132,645
Department of the Army	-	-	-	463,278
Office of Personnel Management	-	-	-	2,813
Social Security Administration	-	-	-	55,992
U.S. Nuclear Regulatory Commission	-	-	-	1,678
Department of Veterans Affairs	-	-	-	363,863
General Services Administration	-	-	-	36,018
National Science Foundation	-	-	-	288
Department of the Air Force	-	-	-	330,596
Federal Emergency Management Agency	-	-	-	4,857
Tennessee Valley Authority	-	-	-	88,217
Environmental Protection Agency	-	-	-	8,765
Department of Transportation	-	-	-	225,319
Department of Homeland Security	-	-	-	242,237
Agency for International Development	-	-	-	8,944
Small Business Administration	-	-	-	7,552
Department of Health and Human Services	-	-	-	53,943
National Aeronautics and Space Administration	-	-	-	16,173
Department of Housing and Urban Development	-	-	-	17,682
Department of Energy	-	-	-	18,441
Department of Education	-	-	-	3,941
Department of Defense	-	-	-	191,425
Other	-	-	-	148,858
	$ 9,700,757	$ 45,446,510	$ 580,180	$ 3,916,674

REQUIRED SUPPLEMENTARY INFORMATION

INTRA-GOVERNMENTAL LIABILITIES

Intra-governmental liabilities at September 30, 2004 consisted of the following:

(Dollars in thousands)	Accounts Payable	Advances from U.S. Treasury	Other
Trading partner			
Department of Agriculture	$ 373	$ -	$ -
Department of Commerce	159	-	-
Department of Interior	13	-	-
Department of Justice	779	-	-
United States Postal Service	1,742	-	39,261
Department of State	193	-	-
Department of the Treasury	221	8,740,557	-
Office of Personnel Management	669	-	6,235
Social Security Administration	256	-	29
Department of Veterans Affairs	38	-	-
General Services Administration	14,545	-	1,339
National Science Foundation	58	-	-
Railroad Retirement Board	1	-	86,209
Department of Transportation	353	-	-
Department of Homeland Security	71	-	-
Department of Health and Human Services	1,373	-	564
Department of Energy	-	-	300
Department of Defense	1	-	-
Treasury General Fund	-	-	60,995
Other	1,362	-	(505)
	$ 22,207	$ 8,740,557	$ 194,427

REQUIRED SUPPLEMENTARY INFORMATION

INTRA-GOVERNMENTAL EARNED REVENUES AND RELATED COSTS

Intra-governmental earned revenue and the related costs to generate that revenue for the year ended September 30, 2004 consisted of the following:

(Dollars in thousands)	Earned Revenue
Trading partner	
Department of Agriculture	$ 121,105
Department of Commerce	10,470
Department of Interior	87,165
Department of Justice	91,521
Department of the Navy	453,752
United States Postal Service	936,318
Department of State	9,658
Department of the Treasury	102,805
Department of the Army	434,114
Office of Personnel Management	1,229
Social Security Administration	33,280
U.S. Nuclear Regulatory Commission	802
Department of Veterans Affairs	170,309
General Services Administration	17,119
National Science Foundation	537
Department of the Air Force	79,782
Tennessee Valley Authority	59,855
Environmental Protection Agency	4,225
Department of Transportation	125,500
Department of Homeland Security	131,402
Agency for International Development	3,777
Small Business Administration	5,304
Department of Health and Human Services	29,241
National Aeronautics and Space Administration	7,636
Department of Housing and Urban Development	9,281
Department of Energy	12,275
Department of Education	19,214
Department of Defense	92,037
Other	266,524
	$ 3,316,237

	Gross Cost to Generate Revenue
Budget Functional Classification	
Education, Training and Employment	$ 32,062
Income Security	3,281,812
Health	2,363
	$ 3,316,237

REQUIRED SUPPLEMENTARY INFORMATION

INTRA-GOVERNMENTAL NON-EXCHANGE REVENUE

Intra-governmental non-exchange revenue for the year ended September 30, 2004 consisted of the following:

(Dollars in thousands)	Interest	Taxes
Trading partner		
Department of the Treasury	$ 2,441,311	$ -
Treasury General Fund	-	6,613,184
	$ 2,441,311	$ 6,613,184

Management and Performance Challenges

Inspector General's Statement

Top Management Challenges Facing the Department of Labor

Following are the areas the Office of Inspector General (OIG) considers to be the most serious management and performance challenges facing the Department of Labor (DOL). They involve compliance, accountability, and delivery of services and benefits.

- Reducing Improper Payments
- Safeguarding Unemployment Insurance
- Integrity of Foreign Labor Certification Programs
- Financial and Performance Accountability
- Systems Planning and Development
- Information Systems Security
- Security of Employee Benefit Plan Assets
- Accounting for Real Property
- Workforce Investment Act Reauthorization

Reducing Improper Payments

Reducing improper payments in DOL administered benefit programs, including Unemployment Insurance (UI) and the Federal Employee Compensation Act (FECA) program, is a challenge to the Department. Improper payments include those made in the wrong amount, or to an ineligible recipient, or improperly used by the recipient. The need for Federal agencies to take action to eliminate overpayments is recognized by the President's Management Agenda (PMA) and the Improper Payments Information Act of 2002. UI overpayments by the states are projected by DOL at about $4 billion annually. The Department's estimate for FECA overpayments, which we consider conservative, is $10 million annually.

Unemployment Insurance and the Use of New Hire Data

The UI program, a Federal-state partnership, is the DOL's largest income maintenance program. While the framework of the program is determined by Federal law, benefits for individuals are dependent on state law and administered by State Workforce Agencies.

The UI system could attain significant savings by detecting overpayments through cross-matching UI claims against state and national new hire data. This would detect UI claimants who have returned to work but are still collecting UI benefits. Using new hire data to identify overpayments is more effective than the more common method of matching UI claims against employers' quarterly wage records because employers must report new hires within twenty days, whereas wage records are not available for months. The new hire method results in earlier detection of overpayments, reduces overpayment dollars, and increases the chance of overpayment recovery.

In 2003, the OIG made recommendations for reducing overpayments by expanding states' use of new hire data. The full implementation of these recommendations, in our opinion, would save the Unemployment Trust Fund (UTF) an estimated $428 million annually. In response, DOL implemented a pilot program in 6 states and improved its quality control program. DOL's Employment and Training Administration (ETA) also drafted policy changes and is collecting data for the pilot program. The pilot cost-benefit study results are due in January 2006. DOL will then need to make sure that lessons learned from the pilot are implemented.

Despite the benefits of new hire detection, a recent OIG audit found 12 states had not used their own state new hire data to reduce overpayments. DOL should continue to provide technical assistance and resources to the state UI programs that are currently not using new hire detection to initiate and/or complete plans for implementation as soon as possible. In addition, more detailed employer reporting, improving employer compliance for new hire reporting, and helping states analyze how to best use their Benefit Payment Control resources would enhance new hire detection. Finally, DOL should encourage states to use the National Database of New Hires, which recently enacted legislation made available to State Workforce Agencies, to help identify overpayments.

Federal Employees' Compensation Act Program Controls
The DOL administered FECA program impacts the employees and budgets of all Federal agencies. The OIG is concerned about increased risks of FECA overpayments due to inadequate controls in the system. In order to determine continuing eligibility for FECA compensation payments, DOL's Office of Workers' Compensation Programs (OWCP) is generally required to obtain and review medical evidence on a periodic basis. In Fiscal Year (FY) 2003, the OIG determined that many FECA cases did not have current medical information on file as required. This occurred because OWCP does not have effective controls to ensure that current medical evidence is requested and received in a timely manner. Inadequate procedures for obtaining and reviewing current medical evidence increase the risk of improper payments. The only way for OWCP to determine if a person is still medically disabled is to obtain medical evidence. If OWCP makes payments to a claimant who is no longer medically disabled, that would be an improper payment. In January 2005, DOL plans to implement a new automated tracking system to alert claims staff when medical evaluations are due. It will still require diligence on the part of FECA staff to ensure the tracking system is used efficiently.

This year the OIG also reported additional weaknesses in medical bill payment processing and the tracking of receivables due to medical bill overpayments. These weaknesses resulted in erroneous payments being processed during FY 2004. OWCP contracted with a third party to perform medical bill processing for FECA claimants, and encountered a number of problems at start up of the Medical Bill Processing system because it did not have a quality assurance and internal audit plan in place prior to implementation of the new system. For FY 2004, we found 10.8% of bills were not paid the correct amount. However, corrective actions taken by management resulted in a reduction in payment errors in the third quarter of the fiscal year.

Safeguarding Unemployment Insurance

Improving the integrity and solvency of the UI program to better serve qualified recipients is a challenge for the Department of Labor. During FY 2003, the UI program paid over $53 billion in income maintenance benefits to American workers. Among the difficulties faced by the program are inadequate Unemployment Trust Fund reserves, overcharges for UTF administration, and the program's susceptibility to fraud schemes involving identity theft and organized crime.

Unemployment Trust Fund Resources
The OIG remains concerned that states may not have adequate reserves to meet the demands on their UI compensation trust funds, causing them to borrow from the Federal Unemployment Account (FUA) to make benefit payments. In its yearly financial statements, DOL reports on the number of states that are "not minimally solvent," or vulnerable to exhausting their funds during a recession. As of September 2003, 32 states were reported by DOL as "not minimally solvent" and four had outstanding loans from the FUA.

Internal Revenue Service (IRS) overcharges for administering the UTF is a concern that has gone unresolved for too long. Prior OIG audits determined the IRS did not have a system to capture its costs for administering the UTF, and had overcharged the Fund millions of dollars. Our FY 2003 follow-up audit determined that the IRS charged almost $300 million in administrative costs to the UTF for FYs 1999-2002 without adequate documentation. We recommended ETA work with IRS to adopt an alternative method to allocate costs and seek reimbursement for overcharges.

Following our audit, the IRS reduced the amount of its FY 2002 administrative charges to UTF. The IRS is scheduled to implement a new cost methodology in FY 2004, and has proposed substantial charges ($73 million) to the UTF through the first 3 quarters of FY 2004. Because of the magnitude of the charges and the complexity of IRS' methodology, ETA has requested the OIG again review IRS' charges. We are including another such audit in our FY 2005 work plan.

Identity Theft and Organized Crime Activity in Unemployment Insurance Fraud
OIG investigations have identified several methods used to defraud the UI system that have resulted in substantial losses to the UTF. Of greatest concern are identity theft schemes, which involve the use of stolen identities to apply for UI benefits. These cases often involve non-traditional organized crime groups, and are therefore broader in scope and more costly to the UI program than individual claimant fraud schemes of the past. One such case in California involved 3,000 stolen identities and identified a total of over $58 million in losses. The

investigation disclosed that a Mexican non-traditional organized crime group was involved, allowing for the systematic filing of thousands of fraudulent claims in four states.

One key way for DOL to mitigate UI fraud is to make states more aware of its dangers and of typical fraud schemes, such as identity theft or creation of fictitious companies to obtain UI benefits for alleged former employees. We therefore recommended and continue to work with ETA to provide training for state UI personnel on fraud prevention and detection.

Integrity of Foreign Labor Certification Programs

Reducing the susceptibility of DOL foreign labor certification programs to abuse remains a challenge to the Department. These programs allow U.S. employers to hire foreign workers when their admission does not adversely impact the job opportunities, wages, and working conditions of citizens and legal residents. DOL received almost 400,000 employer applications for foreign workers through these programs in FY 2003. Problems with the integrity of the labor certification process and fraud against the program persist. This may result in economic hardship for American workers, the abuse of foreign workers, and may have national security implications when applications are not adequately screened before being certified.

Problems with the Labor Certification Process

DOL's ETA is responsible for approving employers' labor certification applications, which is the first step in the process by which foreign nationals obtain work visas from U.S. immigration officials. However, the Department's role in the labor certification process continues to be perfunctory.

In the Permanent Labor Certification program, we are concerned that DOL will approve questionable applications received prior to implementation of a new automated processing system. All applications received before the systems' implementation, known as backlogged applications, will be processed by companies contracted by ETA before approval/denial by the Department's certifying officer. The backlog (315,000 applications as of May 2004) was mostly created by a December 2000 amendment to the Immigration and Nationality Act, which allowed foreign labor certification applications for alien workers already in the United States. This provision applied from January 1 through April 30, 2001, and resulted in a 450% increase in applications over the prior year.

A recent OIG audit disclosed that 69% of the backlogged applications we reviewed were misrepresented or incomplete; 84% of the aliens did not have legal status to work in the U.S.; 72% of the aliens did not have a legal status to be in the U.S.; and 67% of the aliens were already working for the employer at the time of application, including 28% who had worked for the employer for over 5 years. Because of the priority to eliminate the backlog, the OIG is concerned that many applications that should be denied will be approved.

Regarding automation of the Permanent Labor Certification approval system, ETA has made a significant effort to develop labor certification applications for the system that would assist in automatic fraud detection. Automation of the certification process must ensure controls and safeguards to promote transparency and oversight of the program.

In the H1-B Temporary Specialty Workers program, under current law DOL must approve labor condition applications if they are complete and free of obvious errors. Without the authority to validate information on the application, DOL's role in this program does little to add value to the process of protecting American jobs and wages. We recommend DOL seek legislative action to rectify this situation.

Regulatory Change Needed

The OIG is also concerned about regulations that allow employers to obtain permission to hire a specific foreign worker cleared by immigration officials to fill the job. Since entering the U.S. as a substitute worker on an approved labor certification is quicker than starting at the beginning of the application process, alien workers are willing to pay for approved certifications. The practice of allowing substitutions therefore provides incentive for filing fraudulent applications. One attorney filed 1,000 applications using false worker names and then sold the certifications to others. The OIG is also concerned that approved labor certifications do not have an expiration date, and can therefore be used indefinitely. ETA is working to address the problem of substitution, prohibit the sale or purchase of certifications, and shorten the period a certification is valid in coordination with the OIG and the Departments of Justice and Homeland Security.

Labor Certification Fraud

OIG continues to identify fraud cases that involve corrupt immigration attorneys and labor brokers who file fraudulent labor certification applications with DOL using either a fictitious company name or the name of a real company without its knowledge. They then collect fees up to $20,000 from foreign workers for the certifications. In one OIG case alone, the defendant was convicted of obtaining 2,800 fraudulent labor certification applications. Moreover, the OIG is concerned about the vulnerability of DOL's foreign labor certification programs to fraud by non-traditional, transnational organized crime groups. In one such case, five members of a Russian organized crime group were sentenced for their roles in a complex scheme using fictitious companies, falsified computer generated visas, and false social security cards to help illegal aliens, some of which are Russian organized crime associates, obtain H1-B visas.

Financial and Performance Accountability

In order to manage DOL programs for results and fully integrate budget and performance, the Department needs timely financial data, a managerial cost accounting system that matches cost information with program outcomes, quality performance data, and useful information from single audits that cover 90 % of its expenditures. While DOL has received high marks on the President's Management Agenda scorecard for financial performance and budget and performance integration, it faces challenges in fully implementing improvements undertaken in these areas.

Financial Accounting

DOL is developing a new core accounting system that will be the foundation for all financial management activity, including preparation of the Department's financial statements. Among the challenges the Department will encounter are: fully testing the system, performing validation and verification of data transferring from the old system, and ensuring that the system fully meets Federal financial system requirements and users' needs. The OIG is planning to provide audit oversight of the system's development.

Managerial Cost Accounting

OIG previously reported a substantial noncompliance with the Federal Financial Management Improvement Act (FFMIA) because DOL's accounting system did not comply with managerial cost accounting requirements specified by Federal accounting standards. Spurred in part by the OIG's FY 2002 and FY 2003 FFMIA findings, in March 2003 the DOL's Office of the Chief Financial Officer (OCFO) launched a redesign of the cost accounting initiative to achieve full implementation of a DOL-wide managerial cost accounting system.

The implementation project has led to the successful development of cost models for substantially all of DOL's major agencies and programs. These cost models integrate program activities, outputs, costs, and non-financial data to provide the basis for reporting useful managerial cost accounting information. OCFO has recently selected cost accounting software and is in the process of importing the cost model structures. In the near future, OCFO will provide final training to agency personnel and effect formal transfer of system ownership to the agencies. The remaining challenges rest with agency and program management to refine the cost models and successfully institutionalize the use of cost accounting information to achieve improved program operations and better reporting of program results.

Quality Performance Data

Many program results data required by DOL to measure attainment of its strategic plan goals are generated by states and other sources below the Federal level. This presents challenges for ensuring data quality and evaluating program effectiveness. Past OIG audit work has disclosed high error rates in grantee-reported performance data and raised concerns about the use of that data for decision-making. ETA has developed a data validation program to improve the reliability of program data.

Single Audit

The Department relies on audits conducted under the Single Audit Act to provide oversight of more than 90% of its expenditures. OIG is concerned about the adequacy of information DOL receives from these audits, which are conducted by public accountants or state auditors and procured with DOL grant funds. Quality control reviews we conducted in 2002 found serious deficiencies in single audits, including inadequate sampling, which would make the audits unreliable. The OIG is participating in several projects to improve single audit quality including an effort led by the Department of Education OIG to assess the quality of single audits government-wide. However, the Department should ensure that grantees procure quality audits whose results are used to improve programs.

Systems Planning and Development

Developing efficient and effective systems to perform the day-to-day business of DOL is also a challenge to the Department. Judicious planning and program management are critical to the implementation of new systems. Enduring problems in existing systems must also be addressed in a timely, effective manner. The OIG has concerns about insufficient planning for new DOL information technology and other systems. Lack of progress in addressing longstanding concerns in established programs like the Davis-Bacon prevailing wage determination process are also of concern.

Information Systems Planning and Implementation

OIG audits have demonstrated that DOL information technology systems development activities have ineffective planning for major system initiatives and weak project management. Current system development plans should be structured to include milestone reviews and key decision points. Project plans should be strengthened to include budget and cost tracking, project timelines, and resources monitoring. Taking these steps would improve DOL's management of IT systems. The Department's Chief Information Officer needs to take a stronger role to ensure that the agencies adequately plan for system development and are providing adequate project management. Department IT Project Managers should be encouraged and given the opportunity and resources to obtain certification in the field of project management.

E-Payroll

DOL participation in government-wide initiatives like E-payroll, which aims to consolidate and standardize civilian payroll processing in Federal government, also presents challenges. Under this initiative, DOL's payroll system, which covers 16,000 employees, will move to the National Finance Center, which is part of the Department of Agriculture. OIG audit work conducted during the Department's implementation of E-payroll identified vulnerabilities in the management of the payroll migration, originally scheduled for September 30, 2004, was postponed. We believe this was appropriate because of the extent of system readiness questions and human resources data errors. Among the vulnerabilities were that, as of March 31, 2004, DOL had prepared only a draft detailed e-payroll conversion plan and lacked a data validation process to ensure reliability of existing payroll data before conversion. Also of concern were lack of user involvement in project development and limited involvement of agency IT executives.

Davis-Bacon Prevailing Wage Determination

Another example involves the Davis-Bacon prevailing wage determination process, which impacts the salaries and fringe benefits of workers on Federally-funded or assisted construction projects. The OIG continues to have concerns over the lack of progress made by DOL in addressing past OIG and GAO (now the Government Accountability Office) concerns and recommendations for improving prevailing wage determinations used in the Davis Bacon program. From FY 1997 through 2003, DOL's Employment Standards Administration (ESA) spent a total of over $22 million for Davis–Bacon improvements.

A recent OIG follow-up audit found that this investment resulted in limited improvements in wage data accuracy, timeliness of wage determinations, and survey methodology. Since ESA obtains survey data from employers and third parties who volunteer to participate in surveys, we have concerns about whether survey results are representative and unbiased. Based on our audit work, and because the economic impact of this program is substantial, we recommend that the Department move to a statistically valid survey approach, such as that used by Bureau of Labor Statistics (BLS), to collect the data upon which Davis-Bacon wage determinations are based. ESA responded that it was willing to reevaluate the feasibility of conducting surveys using a sampling methodology involving BLS data. We strongly encourage the Department to take immediate action on this important issue.

OSHA System Development Efforts

An OIG audit also identified project management weaknesses in the Occupational Safety and Health Administration's (OSHA) redesign of its Integrated Management Information System (IMIS), a mission critical data system that collects information required to manage OSHA. Since its initiation in 1995, the redesign project has experienced procurement and contract performance problems and changed contractors. Its planned cost, initially estimated at $2 million, was revised to $8.5 million in 2000 and to $12.6 million in 2002. We found that IMIS's Project Management Plan did not cover the entire redesign, that uncertain funding increased project risk, and that the project manager lacked critical knowledge and experience. During our audit fieldwork, OMB withdrew $4 million in funding for the redesign and OSHA has since suspended the redesign effort. We recommend that OSHA adopt best practices, such as using a system development lifecycle approach to project planning and experienced project managers, to establish a better foundation for, and minimize risks in, future system development projects.

Information Systems Security

As is the case for all government agencies, information technology security is an ongoing challenge for the Department of Labor because of new threats and increased automation through E-Government initiatives. Keeping up with these developments, and providing assurances that DOL systems will function reliably and safeguard information assets in an E-government environment require a sustained effort. The security of DOL IT systems and data is vital, since it relates to key economic indicators and the payment of billions of dollars to workers.

IT Security Controls

The Department continues to take advantage of the benefits of E-Government technology. This will require DOL to ensure Federal security policies and guidance are being implemented at the system and application level. Our audit efforts over the past 5 years have identified significant control weaknesses across the programs, which continue to exist. For example, 1) the FECA system lacks adequate application access and input controls, increasing the risk that an individual with access could input, process, and approve an erroneous claim and not be detected; 2) the State UI Tax and Benefit system has control weaknesses that could expose UI data to risk of loss, misuse, or inadvertent/deliberate corruption; and 3) system access and contingency planning is inadequate for financial related systems.

Keys to being successful include DOL providing more consistent and thorough testing of its systems' controls, and becoming proactive in identifying and mitigating IT security weaknesses identified through its own assessments, as well as those identified by audits. Also, the Department can strengthen its management over its IT resources by creating a Chief Information Officer who is organizationally independent within DOL and focuses solely on IT issues, much as the Chief Financial Officer is organizationally independent.

Security of Employee Benefit Plan Assets

Protecting the benefits of American workers, including pensions and health care, remains a significant challenge to the Department. DOL is responsible for overseeing and protecting the interests of participants in about 730,000 private pension plans and 6 million health and welfare plans covered by the Employee Retirement Income Security Act (ERISA). These pension plans hold over $4 trillion in assets and cover more than 150 million workers. Recent failures in corporate financial management and reporting, as well as in the auditing and oversight of these activities, show the need to enhance worker pension and healthcare security by expanding safeguards and improving benefit plan regulatory enforcement.

Safeguards to Protect Pension Assets

One of the safeguards ERISA put into place was the requirement for an annual audit of employee benefit plans. However, the OIG has longstanding concerns about the quality and scope of these audits and the resulting protections for workers. An unacceptably high number of benefit plan audits do not meet professional standards, and compliance has not improved. Moreover, a recent OIG audit found that when the Employee Benefits Security Administration (EBSA) detects deficiencies in plan audits, it has not been effective in correcting those deficiencies. In our view, ERISA does not provide EBSA with sufficient direct enforcement authority to ensure that substandard audits are corrected and that auditors with poor track records are not engaged to perform additional audits. ERISA's "limited scope" provision, which exempts from audit all pension plan assets held in entities regulated by Federal or State governments, also contributes to inadequate coverage of pension plan assets and should be repealed. Current audits of these plans do not provide sufficient safeguards to ensure plan assets are protected.

The Department is working to implement changes the OIG has recommended to alleviate this situation. The changes include improving follow-up to audit deficiencies found, better management systems, and improved enforcement targeting. The OIG will continue to follow this important aspect of pension plan protection. Based on our recent audit, the OIG is also recommending that DOL seek legislative changes to ERISA that would give EBSA adequate enforcement authority over plan auditors to effect corrective actions or prevent malfeasant auditors from performing work in the employee benefit arena. EBSA's lack of enforcement authority makes it difficult, if not impossible, to make audits an effective protection for the American worker.

Pension Plan Fraud

Also of concern is the security of assets in pension plans, which are attractive targets to organized crime groups, corrupt pension plan officials, and those who influence the investment of plan assets. OIG labor racketeering investigations consistently show that assets in Taft-Hartley plans, which are jointly administered by labor union and management representatives, are at risk. The courts ordered $4.3 million in monetary results, including fines, restitutions and forfeitures, based on OIG investigations from October 1, 2003 through July 2004.

We continue to identify multi-million dollar abuses by plan service providers whose complex financial schemes may impact more than one benefit plan. One such case recently led to guilty pleas by an attorney, a real estate agent, and a former pension plan trustee who received illegal payoffs in connection with a $10 million land purchase by the pension fund of the Northwest District Council of Carpenters. This joint investigation with EBSA is one of 64 current joint OIG and EBSA pension investigations. In addition, the OIG has renewed concern about the security of the assets in employer sponsored 401(k) plans that are collectively bargained and is developing investigative casework on these plans.

Cash Balance Pension Plans

In 2002, the OIG raised concerns about the methodology used to calculate lump sum payments to participants who left converted cash balance plans before normal retirement age. We found that some employers' calculations resulted in underpaid benefits, and recommended that EBSA strengthen the agency's oversight of cash balance pension plans. We further recommended that EBSA work with the IRS to develop improved guidance for plan administrators in calculating participant accrued benefits.

EBSA responded that its enforcement oversight responsibilities are statutorily restricted. Nonetheless, in February 2002, EBSA asked the IRS for advice concerning pension plans that may have underpaid participants. Two years have passed and the IRS has not responded. We urge the Department to take whatever action is necessary to resolve this matter in the best interest of plan participants. We believe plan participants who left the plans before normal retirement age may have been underpaid significant amounts because of IRS' and EBSA's continued lack of action.

Corrupt Multiple Employer Welfare Arrangements (MEWAs)

DOL is also challenged to enhance its commitment to investigating corrupt health insurers, whose schemes are burdening an increasing number of Americans with unpaid medical claims. These insurers establish unlicensed health benefit plans known as MEWAs, which are not covered by ERISA and are therefore more vulnerable to fraud. The insurers collect insurance premiums, but ultimately fail to pay claims. Fraudulent MEWAs were recently identified by the Department of Justice as an emerging area of health care fraud, which we believe merits increased OIG and EBSA attention. In February 2004, the GAO reported that from 2000 to 2002, state insurance commissioners and the DOL identified 144 unauthorized entities selling health insurance coverage across the country to at least 15,000 employers covering more than 200,000 persons. Over the same period these unauthorized entities left more than $252 million in unpaid medical claims.

Accounting for Real Property

The Department is challenged to improve accountability for and management of millions of dollars worth of real property. The GAO designated Federal real property as a high-risk area in January 2003, and in February 2004 the position of Senior Real Property Officer for Federal Agencies was established by Executive Order. The President's Management Agenda also includes a government-wide initiative aimed at improving stewardship of Federal real property assets. With respect to the Department of Labor, OIG audits have highlighted opportunities for improvement in real property management.

Job Corps Real Property
In our FY 2003 report on the Department's internal controls over financial reporting, the OIG noted that Job Corps did not adequately account for $728 million worth of real property. Namely, ETA did not sufficiently utilize DOL's property reporting and tracking system and did not establish sufficient controls to ensure that Job Corps real property was safeguarded and accurately reported in DOL's tracking system and general ledger systems. ETA has begun to review its existing processes and plans to restructure them to strengthen the property management system.

State Workforce Agency Real Property
In addition, an OIG audit of management controls over Federal equity in State Workforce Agency (SWA) real property found that ETA had not established adequate management controls over accounting for the Department's equity interest in SWAs' real properties. Specifically, ETA's inventory of SWA property was neither accurate nor complete, and ETA did not ensure the states properly handled the proceeds from disposing of SWA properties with DOL equity. We recommended the ETA make control and management of real property a high priority. ETA has begun to review its existing processes and will restructure them to strengthen the property management system.

Workforce Investment Act Reauthorization
The Department also faces the challenge of improving Workforce Investment Act (WIA) programs through the WIA reauthorization process. To date Congress has not reauthorized the WIA legislation. Prior OIG audits identified areas in which WIA could be improved to better achieve its goals. Based on our audit work, we recommended changes to increase training provider participation, improve dislocated worker program services and outcomes, better document youth program outcomes, and better assess states' current WIA funding availability. DOL has agreed to most of our recommendations, but many have yet to be implemented.

Changes from Last Year
In identifying the most critical management challenges faced by DOL each year, the OIG recognizes significant matters meriting the continued attention of the Department may be omitted from the list. In the area of grant accountability, ETA has undertaken a grants management initiative, the results of which the OIG plans to review. While it does not appear on this year's challenges list, accountability over DOL awarded grants will continue to merit diligent attention. DOL has also implemented a variety of initiatives to enhance human capital management, which have been recognized in its scores on implementing the President's Management Agenda. Nonetheless continued attention to recruiting and retaining the best people will be critical to the Department's future success.

Recently identified challenges have also replaced some well documented, prior year challenges on the list of most critical issues. Insolvency of the Black Lung Trust Fund, a well publicized concern with a legislative proposal to address it, therefore does not appear on the challenge list. Nevertheless, follow through by DOL will be required to address $8.2 billion in advances the Fund has borrowed from the Treasury. The DOL will also need to follow through on planned efforts to decrease asbestos contamination for miners by lowering permissible exposure limits, using better detection methods, and addressing take-home contamination from asbestos.

Management's Response

Management's Response to the Inspector General's Statement on the Top Management Issues Facing the U.S. Department of Labor (September, 2004)

Since the announcement of the President's Management Agenda in 2001, the Department of Labor (DOL) continues to make solid progress in implementing the five Government-wide initiatives: *Strategic Management of Human Capital*, *Competitive Sourcing, Improved Financial Performance*, *Expanded Electronic Government*, and *Budget and Performance Integration*. DOL remains one of the leaders among Cabinet agencies — with status scores of *Green* for four of the five Government-wide initiatives, and progress scores of *Green* for all five. Nonetheless, we recognize the areas needing improvement and have plans in place to achieve success.

The Department recognizes that the nine challenges identified by the Inspector General represent issues of significant potential impact on the effectiveness and efficiency of DOL's programs and operations. The Department's responses identify extensive actions to address these challenges, all of which have been completed or are currently in progress. The Department anticipates that the results of initiatives to address several management issues during FY 2004 and a reassessment of other issues should enable the Inspector General to report even further progress next year.

Several of the challenges reference specific concerns reported in detail in OIG audits issued over the past several years; the management response summarizes corrective action plans taken or planned by the Department. We anticipate that the majority of these findings should be corrected within the next year. Other challenges require legislative action or require that DOL take actions jointly with non-DOL government agencies. Performance goals and strategies are provided in either the Departmental or agency annual performance plans, whenever a sustained effort requires several years to address an OIG management challenge that impacts a core program or management priority. Actions taken or planned by the Department to address each management challenge identified by the OIG are discussed below.

Top Management Challenges Facing the Department of Labor

Following are areas the Office of Inspector General (OIG) considers to be the most serious management and performance challenges facing DOL. They involve compliance, accountability, and delivery of services and benefits:

- Reducing Improper Payments
- Safeguarding Unemployment Insurance
- Integrity of Foreign Labor Certification Programs
- Financial and Performance Accountability
- Systems Planning and Development
- Information Systems Security
- Security of Employee Benefit Plan Assets
- Accounting for Real Property
- Workforce Investment Act Reauthorization

Reducing Improper Payments

Unemployment Insurance and the Use of New Hire Data

DOL was very pleased with the enactment of P.L. 108-295, which is based on draft legislation proposed DOL, and which gives state UI agencies access to the National Directory of New Hires. This will enhance states' ability to detect unreported work violations by UI claimants working in other states or for certain multi-state employers who may report all new hires to only one state. ETA is working with the Department of Health and Human Services on implementation details and will encourage states to use the directory when it becomes accessible. ETA continues to promote activities to prevent and detect overpayments. In FY 2004, \$2.3 million in funds is being made available to states that submitted acceptable proposals to implement or enhance benefit payment control activities such as computer cross-matches to detect overpayments. An example of these activities would include the use of the states' Directories of New Hires as well as an electronic data exchange between state UI agencies and the Social Security Administration.

Federal Employees' Compensation Act Program Controls
While ESA agrees that obtaining current medical evidence for long-term disability cases is important, the absence of it is not evidence of or even a likely indicator of an improper payment. Existing procedures for requesting and verifying medical reports are manual and rely on ad-hoc tracking utilized by individual claims examiners in each of the FECA Program District Offices. The long-term solution rests with the FECA Program's new automated claims processing system, which will include a disability review function that determines the presence or absence of current medical evidence in file. This will update automated claims examiner task and reminder lists through the system's workload tracking function and will also provide supervisors with the ability to list overdue tasks and ensure follow-up. The new system will be deployed in FY 2005.

The Central Bill Processing service encountered a number of problems at start-up, many of which are documented in the audit findings. The audit also documents a significant reduction in medical bill processing problems by the third quarter of FY 2004. Throughout the start-up period and on an ongoing basis, as OWCP and the contractor identify problems, corrective actions were developed and put into place. For example, completion of the medical bill Receivables Tracking/Adjustment processing design will include automated recoupment of overpayments from future payments and completion of an interface with FECA's new claims processing system. This will enable review of previous adjustments made to medical bills and creation of receivable/credit records for those adjustments. The program will be able to record the overpayments and credits currently stored in Medical Bill History to the receivable system. The development of a medical bill processing audit plan for the FECA Program based on the successful Black Lung Program's model is ahead of schedule. Draft procedures for the plan will be developed by September, 2004, with plan implementation by October 2004.

Safeguarding Unemployment Insurance

DOL again notes that there is no Federal solvency standard, and that states can borrow to make up any shortfall during economic downturns.

Unemployment Trust Fund Resources
DOL shares the OIG concern regarding IRS overcharges for administering the Unemployment Trust Fund (UTF). ETA has had several meetings with IRS to learn details and provide input into the complex methodology that has been developed, the most recent meeting being August 5, 2004. The new methodology, which IRS intends to implement beginning October 1, 2004, produces charges of the same magnitude that the OIG reported to be excessive. ETA is particularly concerned about charges for compliance and the reliance on "area experts" to estimate the amount of time devoted to collection of Federal Unemployment Tax Act (FUTA) taxes when audits are conducted related to other taxes. Problems have also surfaced relating to how IRS scrutinizes returns from multi-state employers while charging the UTF for the service.

Identity Theft and Organized Crime Activity in Unemployment Insurance Fraud
On September 17, 2004, ETA announced a second round of funding for *Benefit Payment Control* integrity-related projects. These funds will provide additional resources to implement or enhance activities, such as various computer cross-matches to detect overpayments including fraud related to identity theft. Unemployment insurance data is cross-matched with a variety of data bases including states' Directories of New Hires, Bureau of Vital Statistics, Departments of Corrections, Departments of Motor Vehicles, as well as data exchanges with the Social Security Administration.

Integrity of Foreign Labor Certification Programs

To clarify, DOL does not admit aliens into the country who may pose national security risks. Our responsibility extends only to ascertaining whether the area of intended employment has been adequately tested such that there are no available, willing, able, and prepared U.S. workers for the position being proposed by an employer.

Problems with the Labor Certification Process

We concur that reinstating Section 245(i) of the Immigration and Nationality Act (INA) resulted in dramatic increases in applications for permanent labor certification creating a major backlog in the processing of applications. ETA has attempted to eliminate the large backlog through administrative means available, however additional resources have been appropriated to begin eliminating the entire backlog.

ETA has always required, and will continue to require, foreign labor certification applications to be processed in compliance with all applicable statutes, regulations, and policies. Notices of Findings are issued routinely, as warranted, by ETA Certifying Officers. Whether an alien has earned experience with the petitioning employer is addressed in ETA policy and is routinely reviewed during the certification adjudication process. ETA is establishing central processing centers where the majority of the permanent program backlog cases referenced in the OIG will be reviewed and adjudicated. We agree with the OIG recommendation to verify an employer's current in-business status prior to certification and refer to OIG Office of Labor Racketeering and Fraud Investigations any applications where the employer is determined not to be a *bona fide* employer; accordingly, we have already built this verification process into the case-management software.

Regarding automation of the Permanent Labor Certification Program, ETA has developed a fraud detection/prevention module for use in the new Program Electronic Review Management (PERM) system. This module is being designed to quickly validate applicant information and highlight signs of risk or fraud using a public record database to be supplied and updated by a third party vendor. ETA is considering the use of additional safeguards to authenticate the identity of an employer and to maintain the integrity of the process. Once the new system is implemented, the re-engineered PERM system will mark a significant change to the labor certification process in helping to validate information. The program will identify ineligible employers using automated system edit checks.

ETA believes that statutory limitations restricting ETA in reviewing H-1B applications for completeness and obvious inaccuracies is a structural flaw in the program. Requiring employers to conduct a labor market test as part of the application process could provide a reasonable degree of protection for U.S. workers.

Regulatory Change Needed

ETA is working with representatives from interested Federal agencies on the issue of fraud in the Permanent Labor Certification Program. To clarify the point regarding substitution of aliens on approved labor certifications, the Department of Homeland Security, not the Department of Labor, receives requests from employers for an alien substitution and decides whether or not to approve the request.

Labor Certification Fraud

When denying an application for H-2B Labor Certification, alien labor certification staff attach a detailed explanation outlining all deficiencies within the application. These explanations should reduce the number of overturns by U.S. Citizenship and Immigration Services (CIS). ETA continues to work with CIS to improve H-2B application processing. ETA meets quarterly with CIS and Department of State to discuss ways to reduce fraud in the foreign labor certification programs. ETA and CIS have formed a subgroup that meets monthly to improve information sharing on employers that are currently being investigated for fraud. ETA's Foreign Labor Certification program has filled a policy analyst position whose sole focus will be on quality control and fraud-related issues.

Financial and Performance Accountability

Financial Accounting

OCFO recognizes effective project management as among the most important factors affecting the eventual success of the New Core Financial Management System Project (NCFMS). Effective and responsive project monitoring, oversight, and controls, clear and effective direction, and systems of governance can mitigate the risk of missing the intended end result. Project risks for the NCFMS are managed through the use of detailed project plans and resourced Work Breakdown Structures (WBS), which also populate the Department's Earned Value Management System. The project plan and WBS enable effective management of tasks to be performed at the activity level, monitoring resource and time consumption, and comparing baseline estimates with actual costs and schedule. The project plan includes activities associated with the testing of the various software deliveries against DOL requirements documents, as well as responding to regulatory requirements and changes.

Both the vendor and DOL employees will conduct thorough testing and piloting in the DOL test environment. After delivery is made, confirmation testing will occur in the production environment. The NCFMS project team has engaged an independent validation and verification contractor to ensure: (1) the technical integrity of products and processes; and (2) that all data from feeder and subsystems interface with the NCFMS. In order to conduct regression testing, a baseline set of test scripts will be developed and executed as a co-requisite to introducing changes to the software.

Since the adopted software, Oracle Federal Financials 11i, has been tested and certified by the Joint Financial Management Improvement Program (JFMIP), we assume that the functionality meets all the Federal standards for financial management systems, as well as all DOL user requirements. Despite these assurances from JFMIP, the NCFMS project team plans to continually test the baseline requirements whenever new functionality or changes are introduced, and conduct regression testing to ensure the system is indeed compliant in all material respects. In addition, OCFO's partnership with the OIG will help ensure that all Federal financial system requirements and user needs are met.

Managerial Cost Accounting
In FY 2002 and FY2003 the Secretary determined that the Department was in substantial compliance with the FFMIA. However, DOL did agree that integrating performance and cost information to support decision making was a top priority and initiated the Cost Analysis Manager (CAM) project. The CAM initiative made substantial progress in FY 2004. Cost models were completed for 15 agencies to provide cost information on outputs and activities of major agency programs. OCFO selected and put into production a managerial cost accounting software tool that will serve as the CAM system for ongoing model updates, revisions, and reporting. OCFO trained approximately 50 employees representing all the participating agencies were trained in managerial cost accounting principles and methodology; these are in addition to approximately 130 employees trained in FY 2003. Additional training for Agency managers is planned for the 1st quarter of FY 2004 on how to analyze cost information and use it for decision-making. In addition, designated agency staff will be trained on how to update and maintain the models in the CAM system. Agencies have already begun to make use of information from their cost models and identified future plans for using cost information. DOL submitted a Financial Data Integration Improvement Plan to the Office of Management and Budget (OMB) outlining how agencies intend to use CAM and demonstrating existing capabilities that help in improving operations and reporting results.

The CAM system uses financial information supplied by the Department's core accounting system (DOLAR$), along with labor distribution and workload information. As such, the CAM system provides DOL the capability to integrate performance and cost information to support agency program managers at all levels. As part of the cost model development process for each Agency, the OCFO CAM team analyzed and documented financial data for the agency cost models. Based on that analysis, the OCFO CAM team determined that the type and level of financial information provided by DOLAR$ meets the managerial cost accounting needs of the agencies and that no changes are needed to support the CAM system.

In FY 2005, agencies will update their models to include cost information for FY 2004. Agencies will also refine and expand their cost models to meet their specific cost information needs. OCFO expects to improve agency cost models by refining resource and activity assignments, adding and revising significant outputs, improving allocation of overhead and support costs, and further mapping of outputs to performance goals. Automation of data collection (from DOLAR$ core accounting system, agency workload and time tracking systems) and standard report preparation are also planned.

Quality Performance Data
ETA currently requires data validation for three employment and training programs: (1) Workforce Investment Act (WIA); (2) Employment Service (ES); and (3) Trade Adjustment Assistance (TAA). The agency is developing data validation software and guidance for three additional programs to be implemented during 2005: (1) National Farmworker Jobs Program (NFJP); (2) Indian and Native Americans (INA); and (3) Senior Community Service Employment Program (SCSEP). OMB approved DOL's request to collect data validation results from the states on August 31, 2004.

ETA issued Training and Employment Guidance Letter No. 3-03, Change 1, *Data Validation Policy for Employment and Training Programs,* in August, 2004 which gave states new timelines for data validation and provided guidance on acceptable source documents to be used in validating data elements related to eligibility and performance. States are required to complete report validation for WIA prior to submitting the Program Year 2003 Annual Report on October 1, 2004. ETA requires report validation and minimal data element validation. Report validation for the ETA 9002 and VETS 200 reports must be conducted prior to submission on November 15, 2004. States are required to conduct data element validation on the cumulative file of four quarters of the FY 2004 TAPR by February 1, 2005. ETA is continuing to provide data validation software and technical assistance to states during the validation process. NFJP grantees will receive data validation training in November 2004. Data element validation for PY 2003 must be completed by June 15, 2005. Validation software, instructions, training and timetables for INA and SCSEP will be issued at a later date.

Single Audit
We share the OIG's concerns about the adequacy of Single Audit Act (SAA) audit coverage of its programs. In our oversight and monitoring activities, we will continue our efforts to ensure that covered recipients and sub-recipients have required audits performed, that audit findings are appropriately resolved, and that audit results are used to improve program performance. In FY 2004 and beyond, DOL will establish quality controls more proactively through implementation of the Improper Payments Information Act of 2002. For every program/activity with significant erroneous payments, the Department will construct a statistically valid methodology and program design to estimate the annual amount of erroneous payments, analyze the causes of the errors, and ensure progress in reducing the amount of erroneous payments. These actions will allow the Department to more effectively target payment errors. DOL will also conduct periodic reviews to improve internal controls and train staff to provide guidance on maintaining these controls over the long term. ILAB completed an assessment which confirmed that the single audits conducted for ILAB's grantees do not provide all the information necessary for adequate oversight of the international child labor program. To address this, ILAB recently entered into a contract, with OIG's support, for an independent public accounting firm to examine grantees' compliance with applicable regulations and cooperative agreement provisions and the reliability of their financial and performance reports.

Systems Planning and Development

Information Systems Planning and Implementation
The Office of Chief Information Officer (OCIO) continues to implement a comprehensive project management structure that employs a rigorous system development life-cycle management process that includes checks and balances to ensure projects are being executed according to plan, within budget and meeting performance expectations. This is accomplished through systematic quarterly reviews carried out in accordance with the Department's Capital Planning, Investment, and Control Process. During this monitoring/review process, the OCIO and the Departmental Budget Center evaluate the progress of information technology (IT) projects against a range of parameters, including: cost, schedule and performance; enterprise architecture alignment; and compliance with security requirements. IT development projects are then rated on quarterly review "scorecards" in each of these categories.

Maturing this development life-cycle management process further, the Chief Information Officer established policy for and implemented through the OCIO an earned value management system (EVMS) for major IT investments in FY 2004. By memorandum of September 27, 2004, the Deputy Chief Information Officer issued detailed for guidance for implementation of the Department's EVMS. The EVMS routinely captures standardized, detailed information for monitoring the cost, schedule and performance of major IT investments over time. Systematic tracking of this data allows project managers and DOL top management to be informed in a timely manner about the progress of IT development projects; this facilitates their ability to make informed decisions about project direction and continued investment in projects. The Department's EVMS is in compliance with current standards and guidance from the Office of Management and Budget, including ANSI Standard 748.

The overall Departmental IT management structure continued to be strengthened. In FY 2004, three IT Project Management classes were conducted for DOL IT professionals; 48 staff members completed the training.

Fourteen IT professionals also submitted applications to complete the Project Management Professional (PMP) certification exam in FY 2004. Going forward in FY 2005, IT Project Management classes will be offered on a quarterly basis, and project management modules will be included in the Department's Skillsoft online learning library. Contracting Officers Technical Representative (COTR) training was also provided to the OCIO Programs and the Information Technology Center entire senior staff to enhance the management and oversight of systems planning and development services acquired through contract.

The Office of Management and Budget (OMB) continued in FY2004 to positively rate the Department's performance under the E-Government component of the President's Management Agenda (PMA). The Department has a modernization blueprint that focuses IT investments, has steadily improved its business cases for IT development projects and closely tracks cost, schedule and performance metrics for information systems implementation. DOL has been rated "green" for progress against these and other criteria for measuring E-Government performance since inception of the PMA scorecard and reached "green" for status in September 2004.

E-Payroll
DOL will migrate its payroll operations to the National Finance Center (NFC) in FY 2005. At the inception of the project, OCFO submitted a complete and approved conversion plan. Additionally, the OCFO validated that the pay-affecting data of its employees contained in Peoplepower, DOL's current payroll system, was complete and accurate. OASAM then implemented a department-wide data validation process to confirm OCFO's results. Furthermore, HR users and IT executives were involved in the project since inception leading training and telecommunication efforts.

Davis-Bacon Prevailing Wage Determination
ESA/WHD agrees with the OIG that the Davis-Bacon Act (DBA) wage determination process should be accomplished under the most efficient and effective system possible. ESA/WHD remains unconvinced, that the Audit Report provides adequate justification to promote statutory changes to the Davis-Bacon Act as recommended by the OIG. ESA/WHD also has several concerns with OIG conclusions relating to errors in the wage data, bias in the wage date, and the timeliness of wage decisions. ESA/WHD believes, as the Government Accountability Office (GAO) noted in May 1999, that the system changes currently being pursued under DBA program have the potential to improve wage determinations.

Although ESA/WHD did not agree with OIG concerns about the current universe survey approach as opposed to a sample survey approach, there is justification to reexamine our previous conclusions and intends to explore with the Bureau of Labor Statistics (BLS) the possibility of using BLS data for purposes of establishing prevailing wage rates under DBA. ESA/WHD believes that any change to a sample survey methodology for DBA wage determinations should involve the use of BLS data rather than create a whole new sample survey program conducted by ESA/WHD.

OSHA System Development Efforts
OSHA accepted the recommendations from the OIG. The agency had previously suspended further work on the IMIS Redesign and had contracted for an independent assessment of its IMIS Redesign activities. OSHA is awaiting the contractor's final report. Receipt of that evaluation will assist the agency in determining how best to proceed in complying with the OIG recommendations.

Information Systems Security

IT Security Controls
The Office of the Chief Information Officer (OCIO) performed a comprehensive review of the Department's Security Program to measure its efficiency and effectiveness. This review included a broad assessment of security vulnerabilities identified by the OIG, as well as applicable Departmental IT security policies and procedures. Based on this review, a DOL Plan of Actions and Milestones (POA&M) was developed which mapped out a strategy to mitigate identified security vulnerabilities and other program areas needing improvement. Agency senior management was advised by the Chief Information Officer to give priority and resources to their agency-specific vulnerabilities prior to funding new IT investments. Agencies were also advised to ensure these vulnerabilities and their corrective actions were documented in their Plans of Actions and

Milestones (POA&Ms). In addition, the OCIO established several focus groups comprised of representatives from multiple Departmental agencies to leverage agency expertise and assistance in enhancing the Department's Cyber Security Program.

Accomplishments in IT security improvements include:

- Completing mitigation activities to close 62 and resolve 21 of 99 outstanding OIG audit recommendations, including ten FECA recommendations that were closed and one that was resolved in FY 2004. Remaining FECA issues will be addressed in the new claims processing system, scheduled to be deployed in FY 2005. Progress was also made in implementing mitigating activities for State UI systems. Eight UI system recommendations were closed and six were resolved in FY 04. Additionally, data encryption and testing has been implemented for data transfers between the State UI systems and the Federal systems. A Federal IT team is working with the State Workforce agencies to provide guidance and instructions on computer security requirements.
- Developing Contingency Plans for 92% of major systems, and testing 64% of those plans.
- Revising the DOL Computer Security Handbook to include more comprehensive security procedures and guidance.
- Completing Authority to Operate documentation for 95% of Major Information Systems.
- Completing security testing and evaluation for over 90% of Major Information Systems.
- Completing Computer Security Awareness and Training for some 99% of employees and contractors.

The Department's completion of ATO's for the vast majority of DOL's Major Information Systems was favorably noted in OMB's 3rd Quarter PMA scorecard for E-Government. The Department will continue to assess the efficiency and effectiveness of its IT security controls and focus on mitigating security vulnerabilities. Currently, the Department is directing attention to improving its Contingency Planning testing and vulnerabilities associated with logical security controls and wireless technologies.

Security of Employee Benefit Plan Assets

Safeguards to Protect Pension Assets

Between 1991 and 1997, the Department submitted legislative proposals calling for the repeal of the limited-scope audit provision and calling for reforms to strengthen plan audits. During that same period, DOL also proposed legislative changes that would require direct reporting of certain criminal violations relating to employee benefit plans. Neither the House nor Senate reported legislation out of committee.

The Department continues to take steps to improve the audit process established by the Employee Retirement Income Security Act of 1974 (ERISA). In February 2003, EBSA initiated its second nationwide review to assess the quality of employee benefit plan audits. The study involved a statistical sample of 300 plan audits and assessed compliance with professional accounting and auditing standards; a report of study findings is being prepared. Ongoing DOL initiatives include cooperative efforts with the accounting profession, such as referral of deficient accountant work to State boards of accountancy and to the American Institute of Certified Public Accountants (AICPA) for appropriate remedial and disciplinary actions. In addition, EBSA will be coordinating closely with the Public Company Accounting Oversight Board (created by the Sarbanes – Oxley Act) and continue its active involvement with the AICPA and the Financial Accounting Standards Board (FASB) to develop accounting guidance for employee benefit plans and additional technical materials for CPAs to use in conducting audits of employee benefit plans.

Pension Plan Fraud

During the past few years, EBSA has stepped up its criminal enforcement program. During FY 2004, EBSA's criminal investigations led to the indictment of 121 individuals for crimes related to employee benefit plans. EBSA will continue to target criminal cases in various ways that have yielded successful results in the past (e.g., analyzing computer data, gathering information through civil investigations, leads from plan participants, plan officials, informants, and media sources, and information gained from other government agencies). EBSA also maintains close working relationships with other law enforcement agencies such as the U.S. Attorneys, the FBI, Postal Inspectors, and OIG.

For employer-sponsored 401(k) plans, including multi-employer 401(k) plans, EBSA has had a national enforcement project since 1995 focusing on the failure of employers to timely remit employee contributions to

401(k) plans. From the project's inception, EBSA has closed over 9,400 civil investigations (over 72% with violations and monetary results). EBSA has achieved monetary results of over $337 million nationwide through this project and criminally prosecuted 137 persons.

Finally, while not all violations can be prevented, EBSA is proactive in the early detection and prevention of wrongdoing by, among other things, aggressive outreach and education campaigns. Education campaigns create knowledgeable consumers who can assist in identifying issues within their own benefit plans. EBSA also seeks to leverage its enforcement resources. In its Strategic Enforcement Plan, published in April 2000, EBSA identified plan service providers as a national investigative priority. Investigations of plan service providers offer the opportunity to address abusive practices that may affect more than one plan. By focusing investigative resources on plan service providers, EBSA can address violations involving many plans.

EBSA's Voluntary Fiduciary Correction Program (VFCP) continues to enhance the security of pension assets. Through the VFCP, plan sponsors self-correct delinquent participant contributions and other ERISA violations. Sponsors that meet the conditions of the VFCP and a related Class Exemption receive relief from civil enforcement action and any applicable penalties and excise taxes. EBSA received 474 VFCP applications during FY 2004, and verified approximately $264 million in corrections. In FY 2004, EBSA contacted hundreds of 401(k) sponsors regarding delinquent contributions reported on the Form 5500 Annual Report. That initiative resulted in additional correction of losses and increased participation in the VFCP.

Cash Balance Pension Plans

The Department's regulatory and enforcement authority in this area is limited. DOL cannot take any enforcement action or begin working with the IRS on additional guidance until the IRS determines whether or not there were violations of Internal Revenue Code and ERISA. Consequently, the Department forwarded a copy of the OIG report and supporting work papers to the IRS for its review and comments. We await IRS' response, and will provide assistance in developing new guidance if IRS determines this action is warranted. However, Treasury appropriations law includes a provision prohibiting Treasury/IRS from spending funds to take action with respect to implementing rules or regulations concerning cash balance plans.

Corrupt Multiple Employer Welfare Arrangements (MEWAs)

Stopping the abusive practices of corrupt Multiple Employer Welfare Arrangements (MEWAs) and their operators is one of EBSA's top priorities. EBSA is fully committed to putting an end to the fraudulent and abusive practices of those individuals preying on the American worker, using a three-pronged approach.

First, we focus on prevention by educating employers and consumers. Secretary Chao released detailed guidance to over 80 leaders of America's small business community outlining steps they can take to avoid being taken in and asking them to inform their membership. EBSA has also published and distributed educational materials, including a booklet explaining Federal and State regulation of MEWAs, and guidance for workers on what to do when claims aren't paid or coverage is lost. All these materials are available on our website and are distributed in outreach sessions we hold with consumers, small employers, and service providers throughout the country. Second, EBSA aggressively pursues civil and criminal enforcement actions to shut down scams. By conducting parallel civil and criminal investigations, EBSA has battled hard to stem this abuse both by shutting down corrupt MEWAs through civil court orders and by criminally prosecuting those responsible for operating the illegal enterprises. Third, the Administration strongly supports legislation to establish a secure and affordable alternative for small businesses looking to purchase health insurance for their workers - Association Health Plans (AHPs). The AHP legislation contains strong provisions to combat fraud, including mandatory certification of all AHPs, solvency standards for both insured and self-insured arrangements, and rigorous State and Federal oversight. With AHPs, small employers and their workers will be assured that their health insurance is secure.

EBSA is well aware that corrupt MEWAs are not a federal issue alone but one where the states also have jurisdictional interest. In many instances, the states have filed cease and desist orders to shut down a corrupt MEWA before it causes significant harm. In other cases, the states have been able to revoke or suspend the licenses of insurance agents. EBSA has worked very closely with state insurance departments and the National Association of Insurance Commissioners (NAIC) to coordinate our enforcement efforts. NAIC coordinates the sharing of information regarding potential corrupt MEWAs with EBSA contacts in each of the regions, as well as with State department of insurance contacts. The NAIC also coordinates on-going MEWA activity through an e-mail contact list which allows EBSA and various State departments of insurance representatives to communicate about on-going and emerging problems.

More recently, EBSA has encouraged the Department of Justice to prosecute these complex financial, white-collar crimes. EBSA has worked closely with the Department of Justice in identifying corrupt MEWAs as an emerging area of health care fraud. In April 2004 EBSA spoke with a number of United States Attorneys regarding corrupt MEWAs, educating U.S. Attorneys about the problem, and encouraging them to emphasize the prosecution of these MEWA operators. EBSA has also participated in the Department of Justice's national Health Care Fraud Working Group meetings to bring attention to the problem. The Department of Justice recently issued an advisory memorandum to all U.S. Attorneys emphasizing the need for increased prosecution of corrupt MEWA operators. EBSA assisted in preparing and coordinating the memorandum.

Accounting for Real Property

Job Corps Real Property

ETA completed its first annual (physical) inventory of Job Corp capitalized real property in January 2004. This effort served to resolve differences between the Job Corp site survey data and the CATARS, and reconciliation of CATARS to DOLAR$ for land has been completed. Procedures are in place to ensure that future Job Corp land acquisitions are entered in the CATARS, and that all additions and dispositions are processed timely.

State Workforce Agency Real Property

ETA is in general agreement with the OIG's concerns about the need to: (1) maintain an accurate, up-to-date inventory and valuation of State Workforce Agency (SWA) real property; and (2) insure that states properly handle the proceeds resulting from the disposition of real property with federal equity. Currently, ETA sends a letter to SWA Administrators every two years asking them to review and update the information in our property records. ETA then updates its inventory records with state-provided information. ETA acknowledges that, although this is the best information available, these records are not always current or accurate. ETA has a Training and Employment Guidance Letter (TEGL) on SWA real property in the final clearance process. This guidance requires states to report changes and/or updates to their real property data by November 30, 2004 and re-emphasizes the requirement that states must remit the proceeds from real property sales to DOL. ETA is working on issuing a Field Memorandum (FM) which requires ETA regional offices to follow-up and ensure that states promptly update their property inventory records.

Workforce Investment Act Reauthorization

As of September 2004, the House and Senate WIA reauthorization bills that were passed in 2003 are still awaiting conference. DOL has taken numerous steps to address the concerns outlined in the OIG findings, even while we await further action on WIA reauthorization. In addition to the specific steps referenced above, ETA convened two Federal/State Policy Forums in 2004 to discuss high-level policy issues such as those identified by the OIG. The continued implementation of the President's High-Growth Job Training Initiative is also helping to address these key issues by funding innovative partnerships between the workforce investment system, business and training providers to train adults and young people for jobs that are in demand.

Appendices

1. Performance Goal Details

The November 15, 2004 publication date for the FY 2004 Department of Labor Annual Performance and Accountability Report is approximately six weeks earlier than the Department has ever published this report. Due to the early reporting date and the wide variety of sources from which the Department receives performance data – including states, contractors, and domestic and international grant recipients – not all of the data required to report performance results will be available before the publication date. For these reasons the Department is estimating performance results for some of its goals.

Where estimates have been used in this report, they are clearly identified as such. These estimates are based on methodologies developed by the programs and reviewed by the Department of Labor's Office of Inspector General. Most of these performance estimates use partial year data and then extrapolate for the entire fiscal year. In instances where final quarter data have not traditionally been representative of the entire fiscal year, other estimating methodologies were used.

Performance Goal 1.1A (ETA)
Increase the employment, retention, and earnings of individuals registered under the WIA Adult program.

*Indicator target reached (Y), substantially reached (S) or not reached (N)	PY 2000 Goal Achieved			PY 2001 Goal Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Percent of participants employed in the first quarter after program exit	NA	NA	NA	NA	NA	NA	74%	70%	Y	74%	71%	Y
Percent of those employed in the first quarter after program exit still employed in the third quarter after program exit	78%	77%	Y	79%	78%	Y	84%	80%	Y	85%	82%	Y
Average earnings change for those who are employed in the first quarter after program exit and are still employed in the third quarter after program exit	$3684	$3264	Y	$3555	$3361	Y	$2900	$3423	N	$3260	$3100	Y

Data Source(s): Annual Workforce Investment Act Standardized Record Data in the Enterprise Information Management System and Unemployment Insurance Wage Records

Performance Goal 1.1B (ETA)
Improve the outcomes for job seekers and employers who receive public labor exchange services.

*Indicator target reached (Y), substantially reached (S) or not reached (N)	PY 2000 Goal Achieved			PY 2001 Goal Not Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Percent of job seekers registered with the public labor exchange will enter employment with a new employer by the end of the second quarter following registration PY 2000: Employment Service applicants entering employment	3.9 million	3.2 million	Y	NA	NA	NA	63%	55%	Y	61%	58%	Y
Percent of job seekers that continue to be employed two quarters after initial entry into employment with a new employer	NA	NA	NA	NA	76%	NA	NA	70%	NA	80%	72%	Y

Job openings listed with the public labor exchange (with both State Workforce Agencies and America's Job Bank)	12.3 million	11.2 million	Y	11.8 million	13.5 million	N	10.2 million	11.8 million	N	12.5 million	10.3 million	Y
New employers registered with America's Job Bank	66,563	60,000	Y	NA	NA	NA	NA	NA	NA	NA	NA	NA
Number of job searches conducted by job seekers using America's Job Bank	NA	NA	NA	NA	NA	NA	NA	NA	NA	169 million	base	Y
The number of resume searches conducted by employers from America's Job Bank will be collected to determine a baseline for setting future performance targets.	NA	NA	NA	NA	NA	NA	NA	NA	NA	8 million	base	Y

Data Source(s): Quarterly State reports, UI wage records, and AJB Center Reports.

PY 2003 indicators 1 and 2 were revised to be consistent with the new WIA program. During PY 2001, ETA underwent a transition to a new labor exchange performance measurement system. There is no statistically valid baseline data for these new measures. Targets reflect very limited test experience with a few volunteer states.

Performance Goal 1.1C (ETA)
Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21st Century.

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2002 Goal Achieved			FY 2003 Goal Substantially Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*
New programs in new and emerging industries	326	293	Y	359	359	Y	526	366	Y
New apprentices registered by OATELS staff only FY 2002-2003: All registrations	129,388	86,647	Y	130,615	133,909	S	69,597	68,592	Y
New apprenticeship programs	2,952	1854	Y	NA	NA	NA	NA	NA	NA
New businesses involved in apprenticeship	5,883	3248	Y	NA	NA	NA	NA	NA	NA

Data Source(s): Registered Apprenticeship Information System (RAIS) and Apprenticeship Information Management System (AIMS)

Performance Goal 1.1D (ODEP)
To provide national leadership to increase access and employment opportunities for youth and adults with disabilities receiving employment, training, and employment support services by developing, testing, and disseminating effective practices

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2002 Goal Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*
People with disabilities served through ODEP projects	NA	NA	NA	NA	NA	NA	6397	2391	Y
Entered employment rate at pilot sites	NA	NA	NA	NA	NA	NA	19.2%	13.3%	Y

3-month and 6-month retention rates for people with disabilities served by the pilots	NA	NA	NA	NA	NA	NA	12.3% 6.9%	base	Y
Effective practices identified through pilot project sites and other research-related initiatives	NA	NA	NA	NA	NA	NA	10	base	Y
Implement 30 new Olmstead grant projects, targeted at persons with significant disabilities who are institutionalized	NA	NA	NA	16	30	N	NA	NA	NA
Implement 12 youth grant projects (6 of which are new technology skills projects) to assist youth through the One-Stop Centers and the WIA youth programs	NA	NA	NA	21	12	Y	NA	NA	NA
Implement 12 demonstration programs, through grants, designed to develop and test strategies and techniques that need to be implemented in order for One-Stop Centers and WIA youth programs to effectively serve persons with significant disabilities.	16 WIA, 22 other	12	Y	NA	NA	NA	NA	NA	NA
Data Source(s): Program data from pilot locations									

Performance Goal 1.1E (VETS)
Increase the employment and retention rate of veteran job seekers registering for public labor exchange services

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2000 Goal Achieved			FY 2001 Goal Achieved			FY 2002 Goal Achieved			FY 2003 Goal Not Measured			PY 2003 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Percent of veteran job seekers employed in the first or second quarter following registration	NA	NA	NA	33%	27%	Y	43%	34%	Y	NA	NA	NA	58%	58%	Y
Percent of veteran job seekers who continue to be employed two quarters after initial entry into employment with a new employer	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	79%	72%	Y
Percent of veterans that register with the Public Employment Service who enter employment. DVOP and LVER staff registrations	32% 32%	27% 30%	Y	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Data Source(s): State reports and UI wage records and homeless veteran grantee reports. Quarterly State Performance Reports included in the Enterprise Information Management System (EIMS) and Unemployment Insurance Records

Note: A major transition was underway during FY 2003 to a new system of measuring and reporting the outcomes of labor exchange services for veterans that is consistent with the common measures and that operates on a program year basis.

Performance Goal 1.1F (VETS) **Increase employment of homeless veterans**												
*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2001 Goal Achieved			FY 2002 Goal Not Achieved			FY 2003 Goal Achieved			PY 2003 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Percentage of veterans enrolled in Homeless Veterans Reintegration Projects entering employment	54%	50%	Y	54.4%	54%	Y	60.3%	54.5%	Y	61%	54.5%	Y
Establish a baseline retention rate	NA	NA	NA	N	Y	N	NA	NA	NA	NA	NA	NA
Data Source(s): State reports and UI wage records and homeless veteran grantee reports. Quarterly State Performance Reports included in the Enterprise Information Management System (EIMS) and Unemployment Insurance Records												

Performance Goal 1.1F (ETA) **Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act dislocated worker program**												
*Indicator target reached (Y), substantially reached (S) or not reached (N)	PY 2000 Goal Achieved			PY 2001 Goal Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Not Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Participants employed in the first quarter after program exit	75%	71%	Y	79%	73%	Y	82%	78%	Y	82%	78%	Y
Participants employed in the first quarter after program exit who are still employed in the third quarter after program exit	83%	82%	Y	87%	83%	Y	90%	88%	Y	90%	88%	Y
Percent of pre-dislocation earnings for those still employed in the third quarter after program exit	95%	90%	Y	101%	91%	Y	90%	98%	N	91%	93%	N
Data Source(s): Annual State WIA Reports in the Enterprise Information Management System (EIMS); Unemployment Insurance Wage Records												

Performance Goal 1.1G (ETA) **Increase the employment, retention, and earnings replacement of workers dislocated in important part because of trade and who receive trade adjustment assistance benefits**												
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2001 Goal Substantially Achieved			FY 2002 Goal Not Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Not Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Participants employed in the first quarter after program exit	65%	73%	N	66%	78%	N	62%	78%	N	63%**	70%	N
Participants employed in the first quarter after program exit still employed in the third quarter after exit	90%	80%	Y	89%	88%	Y	86%	90%	N	89%**	88%	Y
Percent of pre-separation earnings for those still employed in the third quarter after program exit	85%	82%	Y	80%	90%	N	73%	90%	N	72%**	90%	N

Data Source(s): TAPR (Trade Act Participant Report) included in the Enterprise Information Management System (EIMS)

Performance Goal 1.2A (ETA)
Increase entrance and retention of youth registered under the WIA youth program in education or employment

*Indicator target reached (Y), substantially reached (S) or not reached (N)	PY 2000 Goal Substantially Achieved			PY 2001 Goal Achieved			PY 2002 Goal Achieved			PY 2003 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Percent of the 14-18 year-old youth who enter the program without a diploma or equivalent that attain a secondary school diploma or equivalent by the first quarter after exit							55%	51%	Y	63%	52%	Y
PY 2000-2001: Percent of the 14–18 year-old youth either employed, in advanced training, post-secondary education, military service or apprenticeships in the third quarter after program exit	47%	50%	N	50%	50%	Y						
Percent of 19–21 year-old youth employed in the first quarter after exit	NA	NA	NA	NA	NA	NA	67%	63%	Y	71%	65%	Y
Percent of 19–21 year-old youth employed in the first quarter after exit still employed in the third quarter after program exit	74%	70%	Y	75%	75%	Y	80%	77%	Y	81%	78%	Y

Data Source(s): Annual State WIA Performance Reports in the Enterprise Information System (EIMS) and Unemployment Insurance wage records

Performance Goal 1.2B (ETA)
Increase participation, retention, and earnings of Job Corps graduates in employment and education

*Indicator target reached (Y), substantially reached (S) or not reached (N)	PY 1999 Goal Achieved			PY 2000 Goal Substantially Achieved			PY 2001 Goal Substantially Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Not Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
The number of students who attain high school diplomas while enrolled in Job Corps	NA	NA	NA	NA	NA	NA	NA	NA	NA	6381	3912	Y	8003	7658	Y
Percent of graduates who continue to be employed or enrolled in education six months after initial placement date	NA	NA	NA	67%	70%	N	64%	70%	N	63%	65%	N	63%	65%	N
Average hourly wages of graduates with jobs at six months after initial placement	$7.49	$6.50	Y	$7.97	$7.50	Y	$7.96	$7.25	Y	$8.03	$8.20	S	$8.95	$8.20	Y
Percent of graduates who enter employment or enroll in education	88%	75%	Y	91%	85%	Y	90%	85%	Y	87%	90%	N	NA	NA	NA

Data Source(s): Job Corps Management Information System

Performance Goal 1.2C (ETA) **Increase retention of Youth Opportunity Grant participants in education, training, or employment**									
*Indicator target reached (Y), substantially reached (S) or not reached (N)	PY 2001 Goal Not Measured			PY 2002 Goal Not Achieved			PY 2003 Goal Not Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*
Percent of 14-18 year-old youth who enter the program without a diploma or equivalent that attain a secondary school diploma or equivalent by the first quarter after exit	NA	NA	NA	46%	51%	N	51%	52%	N
Percent of 19–21 year-old youth employed in the first quarter after exit	NA	NA	NA	50%	63%	N	60%	65%	N
Percent of 19–21 year-old youth employed in the first quarter after exit still employed in the third quarter after program exit	NA	60%	NA	78%	77%	Y	73%	78%	N
Data Source(s): Quarterly Youth Opportunity Grant program grantee reports and Unemployment Insurance wage records									

Performance Goal 1.3A (BLS) **Improve information available to decision-makers on labor market conditions, and price and productivity changes**			
*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2004 Goal Not Achieved		
	Result	Target	*
Improve relevancy Improve data relevance by reflecting changes in the economy, as measured by the number of series (e.g., Current Employment Statistics, Employment Cost Index, etc.) converted to the North American Industry Classification System (12 series in total)	8	8	Y
Improve accuracy *Coverage* Improve coverage by increasing the percent of domestic output of in-scope services included in the Producer Price Index (PPI) Improve coverage by increasing the percent of in-scope industries in the labor productivity measures *Response* Improve the response to the Employment Cost Index	 59.2% 58.0% 78%	 59.2% 58.0% 78%	 Y Y Y
Enhance information technology Lessen the likelihood of major systems failures that could affect the PPI's ability to release data on time, as measured by the percent of the components of the new repricing system completed	17%	33%	N
Raise customer satisfaction with BLS products and services (e.g., the American Customer Satisfaction Index)	82%	75%	Y
Deliver economic data on time (Percent of scheduled releases issued on time)	96%	100%	S
Percent of accuracy measures met (e.g., revision, response rates, etc.)	83%	100%	S

Data Source(s): Office of Publications and Special Studies report of release dates against OMB release schedule for BLS Principal Federal Economic Indicators; News releases for each Principal Federal Economic Indicator; BLS budget submissions and Quarterly Review and Analysis System; ACSI Quarterly E-Government scores.

Notes: Target for indicator 1 is cumulative over a 5-year period. For example, four data series were converted to NAICS in FY 2004; the other four were converted in FY 2002 and FY 2003. The target for indicator 3 – developed under the SIC system – was initially 61.4%; its NAICS equivalent is 58.0%.

Performance Goal 2.1A (ESA)
Covered American workplaces legally, fairly, and safely employ and compensate their workers

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2002 Goal Substantially Achieved			FY 2003 Goal Substantially Achieved			FY 2004 Goal Substantially Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*
Ensuring continued customer service by minimizing the average number of days to conclude a complaint	NA	NA	NA	108 days	126 days	Y	92 days	108 days	Y
Reducing employer recidivism									
Percent of prior violators who achieved and maintained FLSA compliance following a full FLSA investigation	NA	NA	NA	NA	NA	NA	71%	74%	N
Percent of reinvestigations without any violations	34%	Base	Y	37%	36%	Y		NA	
Percent of reinvestigations with identical violations	19%	base	Y	17%	17%	Y		NA	
<u>Increasing compliance in industries with chronic violations</u>									
as indicated in the garment manufacturing industry by:									
Percent of employees paid "on the payroll" in New York City	NA	NA	NA	33%	base	Y	39%	34%	Y
Number of manufacturers in southern California that monitor contractors	53%	43%	Y	715	714	Y	729	729	Y
Percent of employees paid "on the payroll" in southern California	NA	NA	NA	91%	base	Y		NA	
New contractors in NYC participating in Compliance Assistance program	NA	NA	NA	73	72	Y		NA	
Number of manufacturers in NYC that monitor contractors	NA	NA	NA	158	153	Y		NA	
Percent of contractors in NYC that pay all employees "on the payroll"	42%	53%	N	NA	NA	NA		NA	
Number of monitoring components used by manufacturers in monitoring contractors for compliance in southern California	6.4	5.6	Y	NA	NA	NA		NA	
Percent of contractors in southern California that pay all employees "on the payroll"	92%	65%	Y	NA	NA			NA	
Percentage of compliance of new contractors in NYC	43%	55%	N	NA	NA			NA	

as indicated in the long-term health care industry by:									
Percent of nursing homes in compliance with the FLSA.	NA	NA	NA	NA	NA	NA	55%	45%	Y
Percent of nursing home employees employed or paid in compliance with the FLSA.	NA	NA	NA	NA	NA	NA	90%	91%	N
Percent of nursing home complaint cases concluded in 180 days	NA	NA	NA	48%	42%	Y		NA	
Percent of employees in residential care paid in compliance with the FLSA overtime requirements	NA	NA	NA	77%	85%	N		NA	
Additional employees of multi-establishment nursing home corporations impacted by corporate proactive steps such as training and self-audit.	16,426	6000	Y	NA	NA	NA		NA	
Nursing home employers provided compliance assistance information through seminars and other outreach efforts	7,681	2559	Y	NA	NA	NA		NA	
Percent of employers (residential living) in compliance with the recordkeeping requirements of the Fair Labor Standards Act	77%	base	Y	NA	NA	NA			
as indicated in agricultural commodities by:									
Number of employees affected by compliance assistance programs for agricultural employers subject to the DWHaT provisions of MSPA	NA	NA	NA	NA	NA	NA	911,004	4743	Y
Number of agricultural housing providers who corrected violations following an investigation.	NA	NA	NA	256	170	Y	335	259	
Number of agricultural housing providers who corrected violations following a first investigation	NA	NA	NA	133	98	Y		NA	
Percent of employers in compliance with the MSPA disclosure provisions.	61%	Base	Y	NA	NA	NA		NA	
Percent of employers in compliance with the MSPA wage provisions.	91%	Base	Y	NA	NA	NA		NA	
Percent of employers in compliance with the MSPA housing safety and health provision.	74%	Base	Y	NA	NA	NA		NA	
Percent of employers in compliance with MSPA vehicle safety provisions	88%	Base	Y	NA	NA	NA		NA	
Percent of employers complying with MSPA drivers license provisions	90%	Base	Y	NA	NA	NA		NA	
Percent of employers complying with MSPA vehicle insurance provisions	85%	Base	Y	NA	NA	NA		NA	
Percent of investigated employers in compliance with child labor provisions of the FLSA	98%	Base	Y	NA	NA	NA		NA	
Ensuring timely and accurate prevailing wage determinations by:									
Number of wage determination forms processed per 1,000 hours.	NA	NA	NA	NA	NA	NA	1491	Base	Y
Percent of survey-based DBA wage determinations within 60 days of the receipt of the underlying survey data.	NA	NA	NA	NA	NA	NA	87%	80%	Y
Data Source(s): Wage and Hour Investigator Support and Reporting Database (WHISARD) data; WH significant activity reports; regional logs and reports on local initiatives; and statistically valid investigation-based compliance surveys in defined industries									

Performance Goal 2.1B (ESA)
Advance safeguards for union financial integrity and democracy and the transparency of union operations

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2002 Goal Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*
Percent of unions with fraud							9%	base	Y
FY 2002-2003: Percent of investigative resources applied to criminal investigation that result in convictions	50%	base	Y	63%	53%	Y			
Percent of union reports meeting standards of acceptability for public disclosure				73%	base	Y	92%	75%	Y
FY 2002-2003: The timely filing of union annual financial reports by unions with annual receipts over $200,000	44%	base	Y	64%	85%	N			
Data Source(s): 1. Labor Organization Reporting System and 2. OLMS Case Data System.									

Performance Goal 2.2A (ETA)
Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up Unemployment tax accounts promptly for new employers

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2000 Goal Substantially Achieved			FY 2001 Goal Not Achieved			FY 2002 Goal Not Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Not Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Pay Benefits Promptly: percent of all intrastate first payments made within 14/21 days							88.7%	91%	N	89%	91%	N	88.7%	89.2%	N
FY 2000-2001: Number of states meeting or exceeding the Secretary's Standard for intrastate payment timeliness	47	47	Y	42	48	N									
Detect Overpayments: Percent of estimated overpayments that States detect established for recovery	NA	NA	NA	NA	NA	NA				54%	59%	N	61%	59%	Y
FY 2002: Establish a measure and baseline for payment accuracy							Y	Y	Y						

Facilitate Reemployment: Entered employment rate for UI claimants FY 2003: Develop a measure and a method to obtain entered employment information on UI claimants FY 2002: Define a measure of entered employment of Unemployment Insurance claimants and establish a baseline	NA	NA	NA	NA	NA	NA	N	Y	N	Y	Y	Y	51.5%	base	Y
Establish Tax Accounts Promptly: Percent of determinations about the Unemployment Insurance tax liability of new employers made within 90 days of the end of the first quarter they become liable for the tax. FY 2000-2001: Number of states meeting or exceeding the minimum performance criterion for benefit adjudication quality	23	24	N	25	26	N	81.7%	80%	Y	83%	80%	Y	83%	82.2%	Y

Data Source(s): ETA 9056, 9050 and 9050p Reports; Benefits Accuracy Measurement (BAM) data, and ETA 227 Report; ETA 5159 Report and UI Wage Records; ETA 581 Report.

Performance Goal 2.2B (EBSA)
Enhance Pension and Health Benefit Security

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2003 Goal Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*
Enforcement:						
Ratio of closed civil cases with corrected violations to civil closed cases.	69%	50%	Y	69%	50%	Y
Ratio of criminal cases referred for prosecution to total criminal cases	40%	25%	Y	45%	25%	Y
Participant Assistance: Customer Satisfaction Index, or comparable measurement, for Participants and Beneficiaries who have contacted EBSA for assistance.	59	59	Y	62	61	Y

Data Source(s): Enforcement Management System and The Gallup Organization

Performance Goal 2.2C (ESA) Minimize the human, social, and financial impact of work-related injuries for workers and their families.															
*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2000 Goal Achieved			FY 2001 Goal Not Achieved			FY 2002 Goal Not Achieved			FY 2003 Goal Substantially Achieved			FY 2004 Goal Substantially Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Lost production days (LPD) per 100 employees for FECA cases of the United States Postal Service (see note below)							131 days	115 days	N	143 days	130 days	N	148 days	146 days	N
FY 2001: combined with all other governmental agencies				76.9 days	66.7 days	N									
FY 2000: QCM cases only	164 days	173 days	Y												
LPD rate for FECA cases of All Other Governmental Agencies (see note below)	NA	NA	NA	NA	NA	NA	54 days	55 days	Y	55 days	54.7 days	N	62.9 days	55.4 days	N
FECA Vocational Rehabilitation placements with new employers for injured USPS employees	NA	NA	NA	NA	NA	NA	NA	NA	NA	56 place-ments	52 place-ments	Y	59 place-ments	56 place-ments	Y
First-year savings in the FECA program through use of Periodic Roll Management	$72 million	$66 million	Y	$103mi llion	$95 million	Y	$129 million	$122mi llion	Y	$24.6 million	$20 million	Y	$49 million	$38 million	Y
Trend in indexed cost per case of FECA cases receiving medical treatment remains below the Milliman Health Cost Index										stable	10% rise	Y	2.4% rise	8.8% rise	Y
FY 2002: Reduce Inflation-adjusted costs per case in the FECA program							$2604	$2219	N						
FY 2001: Reduction in average annual cost for physical therapy and psychiatric services				PT +4.5% PS -3%	-1% (both)	N									
FY 2000: Save $5 million over FY 1999 for inpatient hospital and pharmacy services	$34.5 million	$21.5 million	Y												
Targets met for key performance areas	NA	NA	NA	NA	NA	NA	NA	NA	NA	5	base	Y	4	3	Y
Average time required to resolve disputed issues in Longshore and Harbor Worker's Compensation Program contested cases	NA	NA	NA	NA	NA	NA	285 days	242 days	N	266	279	Y	247	274	Y

Percent of Black Lung benefit claims filed under the revised regulations for which, following an eligibility decision, there are no requests for further action from any party pending one year after receipt of the claim.	NA	NA	NA	NA	NA	NA	89.9%	68.5%	Y	86.6%	70.5%	Y	82.2%	74.5%	Y
Percent of Initial Claims for benefits in the Energy Program processed within standard timeframes: 120 days for Department of Energy (DOE) employees or contractors employed at DOE facilities 180 days for employees of Atomic Weapons Employers (AME) and Beryllium Vendors	NA	NA	NA	NA	NA	NA	48% 48%	75% 75%	N	79%	75%	Y	92%	77%	Y
Percent of Final Decisions in the Energy Program processed within standard timeframes Approved Claims or No-Contest Denials: within 75 days of the Recommended Decision. Reviews of the Written Record: within 75 days of request Formal Hearings: within 250 days of request							76% 74% 100%	75% 75% 75%	S	76.9%	75%	Y	99%	77%	Y

Data Source(s): 1&2. Federal Employees' Compensation Act (FECA) data systems, Federal agency payroll offices and Office of Personnel Management employment statistics; 3. Nurse/Rehabilitation Tracking System 4. Periodic Roll Management System and FECA Automated Compensation Payment System; 5. FECA Medical Bill Pay System and Milliman USA Health Cost Index Report; 6. Telecommunications system standard reports, FECA district office and national MIS reports, customer surveys, focus group records and other customer service performance data sources; 7. Longshore Case Management System; 8. Black Lung Automated Support Package; 9&10. Energy Program Case Management System

Note: In FY 2004, OWCP changed the way it measures LPD. The FY 2003 result data for USPS and also for all other government agencies' LPD's reflect the results prior to the measurement changes. LPD's are now measured in real-time rather than with accumulated data, as they were in the past.

Performance Goal 2.2D (PBGC)
Serve sponsors of covered pension plans and participants in trusteed plans

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2004 Goal Not Achieved		
	Result	Target	*
American Customer Satisfaction Index (ACSI) score for sponsors of covered pension plans who have contacted PBGC for assistance	69	71	N
ACSI score for participants in trusteed plans who have contacted PBGC for assistance.	78	77	Y

Data Source(s): American Customer Satisfaction Index (ACSI) report

Performance Goal 3.1A (MSHA)
Reduce mine industry fatalities and injuries

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2000 Goal Substantially Achieved			FY 2001 Goal Achieved			FY 2002 Goal Not Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Not Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Fatal incidence rate (number of mining fatalities per 200,000 hours worked) FY 2000-2002: Mine fatalities	88	89	Y	71	89	Y	71	64	Y	.023	.020	N	.016**	.022	Y
All-injury incidence rate (all injuries, including fatalities, per 200,000 hours worked) FY 2000-2002: Non-fatal injury incidence rate	3.46	3.83	Y	3.29	3.65	Y	3.15	2.87	N	4.26	3.79	N	3.97**	3.85	N

Data Source(s): Mine Accident, Injury, and Employment information. Mine operators and contractors report to MSHA under Title 30 Code of Federal Regulations Part 50

Performance Goal 3.1B (MSHA)
Reduce mine industry health hazards

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2000 Goal Achieved			FY 2001 Goal Achieved			FY 2002 Goal Not Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Percent of respirable coal dust samples exceeding the applicable standards by 5% for designated occupations FY 2000-2001: Percent of coal dust samples that are out of compliance for high risk mining occupations	11.2%	11.7%	Y	10.2%	11.1%	Y	15.0%	14.2%	N	11.7%	14.2%	Y	10.5%	11.1%	Y
Percent of silica dust samples in metal and nonmetal mines exceeding the applicable standards by 5% for high risk occupations FY 2000-2001: Index percentage of silica dust samples that are out of compliance for high risk mining occupations	65%	85%	Y	64%	80%	Y	6.6%	8.8%	Y	6.5%	8.6%	Y	5.9%	6.2%	Y

Percentage of noise exposures above the citation level in all mines by 5%.	NA	NA	NA	NA	NA	NA	5.8%	8.6%	Y	4.8%	9.3%	Y	4.2%	4.6%	Y

Data Source(s): Mine Accident, Injury, and Employment information. Mine operators and contractors report to MSHA under Title 30 Code of Federal Regulations Part 50

Performance Goal 3.1C (OSHA)
Reduce workplace fatalities

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2003 Goal Not Achieved			FY 2004 Goal Not Achieved		
	Result	Target	*	Result	Target	*
Fatalities per 100,000 workers	1.62	1.59	N	1.67**	1.57	N

Data Source(s): OSHA Integrated Management Information System (IMIS) and Bureau of Labor Statistics (BLS) Current Employment Statistics (CES).

Performance Goal 3.1D (OSHA)
Reduce workplace injuries and illnesses

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2000 Goal Achieved			FY 2001 Goal Achieved			FY 2002 Goal Not Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Days away from work case rate per 100 workers										1.7**	1.8	Y	1.6**	1.7	Y
Injury and illness incidence rates in industries characterized by high-hazard workplaces															
Lost workdays (FY 2000-2001)															
Days away from work (FY 2002)															
Shipyard	9.9	12.5	Y	7.5	11.9	Y	8.1	6.8	N						
Food processing	7.3	8.3	Y	6.3	7.9	Y	NA	NA	NA						
Meat Products	NA	NA	NA	NA	NA	NA	7.9	7.7	N						
Nursing homes	7.9	8.1	Y	7.3	7.7	Y	7.6	6.6	N						
Logging	4.6	6.7	Y	3.5	6.4	Y	NA	NA	NA						
Construction (FY 2000-2001 injuries only)	4.0	4.8	Y	3.9	4.6	Y	3.8	3.6	N						

Data Source(s): Bureau of Labor Statistics (BLS) Annual Survey of Occupational Injuries and Illnesses (ASOII). FY 2003 estimated results use CY 2001 data; FY 2004 estimated results use CY 2002 data.

Performance Goal 3.2A (ESA) Federal contractors achieve equal opportunity workplaces												
*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2001 Goal Not Achieved			FY 2002 Goal Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Incidence of discrimination among Federal contractors							1.2%	9%	Y	1%	9%	Y
FY 2001-2002: For contractors that participate in specified DOL/OFCCP compliance assistance activities and are subsequently evaluated -												
Rate of compliance findings for SIC 50	50.9%	Base	Y	58.4%	51.9%	Y						
For SIC 87	49.6%	Base	Y	64.5%	48.6%	Y						
Rate of findings of severe violations for SIC 50	7.7%	Base	Y	2.2%	6.7%	Y						
For SIC 87	9.0%	Base	Y	1.6%	8.0%	Y						
Rate of focused and offsite compliance evaluations – SIC 50	36.5%	Base	Y	52.8%	37.5%	Y						
For SIC 87	27.8%	base	Y	50.8%	28.8%	Y						
Compliance among Federal contractors in all other respects of equal opportunity workplace standards							72.4%	59%	Y	91%	61%	Y
FY 2001-2002: For contractors and subcontractors that are selected for evaluation, outreach, or compliance assistance activities –												
Rate of compliance findings for all supply and service closures	52.9%	Base	Y	62.9%	53.9%	Y						
Rate of findings of severe violations for contractors and subcontractors that have had prior contact with DOL/OFCCP	9.8%	Base	N	2.7%	8.8%	Y						
Rate of focused and offsite compliance evaluation	34.1%	base	N	49.8%	35.1%	Y						
Data Source(s): EEO-1 data file; Case Management System (CMS) Completions Data; Federal contractors' data; and compliance evaluation results of scheduled contractors												

Performance Goal 3.2B (OASAM) States that receive financial assistance under the Workforce Investment Act provide benefits and services to persons with disabilities in a non-discriminatory manner						
*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2003 Goal Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*
Desk reviews conducted of a representative sample of States using the WIA Section 188 Disability Checklist.				Y	Y	Y
FY 2003: Technical assistance reviews conducted of a representative sample of One-Stop Centers in the One-Stop systems of the cities of New York City and Miami	Y	Y	Y			
Initiate technical assistance reviews of the One-Stop Career systems in Los Angeles, CA and Houston, TX.	NA	NA	NA	Y	Y	Y

Determine the nature and number of discrimination complaints filed nationwide under Title I of the WIA, Wagner-Peyser Act funded programs, the Unemployment Insurance program, and against DOL-operated Job Corps Centers based on a longitudinal study	Y	Y	Y	Y	Y	Y
Specialized Alternative Dispute Resolution (ADR) training for the State of New York's mediators and Equal Opportunity representatives conducted in FY 2003.	Y	Y	Y	NA	NA	NA
Data Source(s): CRC Complaint management information system, WIA Section 188 Disability Checklist responses and complaint log database of State/local reported discrimination complaints files						

Performance Goal 3.2C (VETS)
Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2004 Goal Achieved		
	Result	Target	*
Indicators will be established to target reductions in USERRA compliance problems that are most severe and pervasive based on survey of veterans and service members covered by USERRA.	4	base	Y
Data Source(s): VETS' data reports			

Performance Goal 3.3A (ILAB)
Contribute to the Elimination of the Worst Forms of Child Labor Internationally

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2000 Goal Achieved			FY 2001 Goal Not Achieved			FY 2002 Goal Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Children prevented or withdrawn from exploitive child labor and provided education or training opportunities by DOL-IPEC programs funded in prior fiscal years	NA	NA	NA	25,800	50,000	N	51,922	50,000	Y	79,769	60,000	Y	90,200	70,000	Y
Countries with increased capacities to address child labor as a result of DOL-IPEC programs funded in prior fiscal years													26	15	Y
FY 2000-2003: Action plans, policies or programs established that combat child labor and/or promote access to education for child laborers or children at-risk	2	1	Y	13	15	N	15	10	Y	19	15	Y			
Child Labor Education projects that establish targets for education retention and completion rates in project areas	NA	NA	NA	NA	NA	NA	NA	NA	NA	8	6	Y	16	8	Y

Child Labor Education Initiative projects that establish baseline for rate of enrollment and drop out for targeted children	NA	NA	NA	NA	NA	NA							8	7	Y
FY 2002-2003: Countries in which new Child Labor Education Initiative projects begin							9	8	Y	10	9	Y			
Children targeted for prevention or removal from child labor, particularly its worst forms, through the provision of education or training opportunities in new DOL-funded programs	109,000	50,000	Y	200,000	100,000	Y	103,772	90,000	Y	83,682	40,000	Y	NA	NA	NA
Countries that ratify International Labor Organization (ILO) Convention 182 on Worst Forms of Child Labor.	36	1	Y	63	25	Y	29	15	Y	NA	NA	NA	NA	NA	NA
Increase awareness through dissemination of reports, other publications and website	Y	Y	Y	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Data Source(s): DOL/ILAB, ILO-IPEC and Child Labor Education Initiative Grantees

Performance Goal 3.3B (ILAB)
Improve Living Standards and Conditions of Work Internationally

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2000 Goal Substantially Achieved			FY 2001 Goal Achieved			FY 2002 Goal Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Number and percent of relevant government officials and members and officials of workers' and employers' organizations who are influential in determining living standards and working conditions and participating in USDOL project activities, who consider the project to have improved their conditions of work	NA	NA	NA	NA	NA	NA	NA	NA	NA	63.3%	base	Y		base	
Number and percent of individuals whose economic situation has benefited from USDOL project assistance	NA	NA	NA	NA	NA	NA	NA	NA	NA	39%	base	Y		base	
Number and percent of workplaces exposed to USDOL project assistance that have implemented new measures to prevent workplace accidents and illnesses	NA	NA	NA	NA	NA	NA	NA	NA	NA	10%	base	Y		base	

Number of workers participating in pension funds that are government regulated by project partner agencies	NA	NA	NA	NA	NA	NA	NA	NA	NA	3.545 million	base	Y		base	
Number of new countries where HIV/AIDS workplace education projects begin	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	8	3	Y
Countries committed to undertake improvements in assuring compliance and implementation of core labor standards	12	8	Y	15	15	Y	41	7	Y	NA	NA	NA	NA	NA	NA
Countries that commit with US/DOL assistance to make substantive improvements in raising income levels of working families	11	4	Y	10	8	Y	49	6	Y	NA	NA	NA	NA	NA	NA
Judicial and legal decisions which improve core labor standards and workplace safety standards	1	?	Y	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Countries that improve social safety net programs that protect workers and develop markets	0	?	N	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Data Source(s): ILO Reports; reports by government, contractors, grantees, and nongovernmental organizations; surveys.															

Performance Goal 4.2A (OASP)
Maximize regulatory flexibility and benefits and promote flexible workplace programs

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2004 Goal Not Achieved		
	Result	Target	*
Seek input from the public as part of its decision-making process in determining which regulations or regulatory programs should be prioritized for review for their effects on small businesses and entities	N	Y	N
Ensure that all new regulatory proposals identify monetary costs, benefits, and net benefits, and include a summary of this information in all Regulatory Impact Analyses performed by DOL agencies	17	17	Y
Develop plan to review all significant regulations for maximum flexibility in their reporting and record keeping requirements in order to assess whether DOL agencies are allowing the use of electronic technology by employers where practicable	N	Y	N
Women's Bureau - Flex-Options for Women Project: Companies enlisted as corporate mentors Women-owned businesses seeking to establish workplace flexibility policies or programs	41 77	40 80	Y S
Data Source(s):			

Performance Goal HR1 (OASAM) The right people are in the right place at the right time to carry out the mission of the Department									
*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2002 Goal Not Achieved			FY 2003 Goal Achieved			FY 2004 Goal Substantially Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*
The DOL workforce is a prepared and competent workforce									
Percent of employees graduated, placed or certified from DOL management and leadership development programs							90%	75%	Y
FY 2002-2003: Percent of managers indicating satisfaction with the quality of applicants referred for their vacancies	94%	90%	Y						
Percent of competency assessment tools piloted and competency gap analyses completed for employees in mission-critical or supervisory occupations					90%	Y			
Percent of mission critical occupations for which employee competencies and skill sets are assessed and gaps identified							85%	10%	Y
Retention rates in targeted professional occupations					20%	Y			
Key professional occupations identified in agency restructuring plans with retention problems	Y	base	Y	?	?	Y			
Core competencies for DOL mission critical occupations are established	10	?	Y						
Percent of agencies for which Human Capital Standards scores improved	60%	20%	Y	NA	NA	NA			
The DOL workforce is a diverse workforce									
Percent of improved diversity indicators for professional and administrative occupations exhibiting under-representation in the prior year	30%	30%	S	38%	30%	Y	32%	25%	Y
Continued improvement is realized in the extent to which diversity in the DOL workforce reflects the civilian labor force	Y	Y	N	Y	Y	Y	29%	40%	N
Diversity will be improved among management officials and supervisors	NA	NA	NA	NA	NA	NA	43%	40%	Y
Data Source(s): HR Information System; Agency strategic, workforce & recruitment plans; employee performance and development plans; AEP Reports									

Performance Goal HR2 (OASAM) Reduce lost production due to work-related injuries and illnesses															
*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2000 Goal Not Achieved			FY 2001 Goal Not Achieved			FY 2002 Goal Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Lost production days per 100 employees (number of days employees spend away from work due to work related injuries and illnesses)	57.3 days	56.2 days	N	66.0 days	56.2 days	N	50.6 days	53.7 days	Y	41.3 days	52.6 days	Y	37.3 days	40.5 days	Y
Data Source(s): OWCP Table 2 Reports and Charge Back System data; personnel data from the Office of Personnel Management.															

Performance Goal HR3 (OASAM) Reduce the occurrence of injuries and illnesses for DOL employees															
*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2000 Goal Achieved			FY 2001 Goal Not Achieved			FY 2002 Goal Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Total case rate of illnesses and injuries (based on reports to workers' compensation programs)	3.50	3.60	Y	4.01	3.49	N	2.98	3.39	Y	2.50	3.29	Y	1.72	2.43	Y
Percent on time filing rate (became Goal HR5 in FY 2004)	57%	50%	Y	55%	65%	N	75%	62%	Y	84%	78%	Y		NA	
Data Source(s): OWCP Table 2 Reports and personnel data from the Office of Personnel Management.															

Performance Goal HR4 (OASAM) Reduce the lost time case rate for injuries and illnesses for DOL employees			
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2004 Goal Achieved		
	Result	Target	*
Lost time injury and illness cases per 100 employees (number of cases that result in days away from work due to work related injury or illness)	1.11**	1.19	Y
Data Source(s): OWCP Table 2 Reports, Chargeback Reports, and personnel data from DOL's Departmental Budget Center.			

Performance Goal HR5 (OASAM) Improve the timeliness of filing notices of injuries and illnesses with the Office of Workers' Compensation Programs			
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2004 Goal Achieved		
	Result	Target	*
Percent on time filing rate	88%**	88%	Y
Data Source(s): OWCP Table 2 Reports, Chargeback Reports, and timeliness records.			

Performance Goal PR1 (OASAM) Compete positions listed on DOL's Federal Activities Inventory Reform (FAIR) Act inventory									
*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2002 Goal Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Substantially Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*
FTE on the FAIR Act inventory included in completed competitions or direct conversions	152	140	Y	168	268	N	386	?	S

Data Source(s): DOL ‘s 2000 Federal Activities Inventory Reform Act inventory

Performance Goal PR2 (OASAM)
Increase use of Performance-Based Service Contracting (PBSC) techniques

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2002 Goal Substantially Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*
Percent of total eligible service contracting dollars awarded (for contracts exceeding $25,000) using Performance-Based Service Contracting (PBSC) techniques	18%	20%	S	42%	30%	Y	67%	40%	Y
Data Source(s): Federal Procurement Data System									

Performance Goal FM1 (OCFO)
Improve the accuracy and timeliness of financial information

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2000 Goal Substantially Achieved			FY 2001 Goal Achieved			FY 2002 Goal Substantially Achieved			FY 2003 Goal Achieved			FY 2004 Goal Substantially Achieved		
	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*	Result	Target	*
Maintain an unqualified (clean) audit opinion with no material internal control weaknesses	NA	NA	NA	NA	NA	NA	NA	NA	NA	Y	Y	Y	Y	Y	Y
Meet new requirements and standards in accordance with the Federal Financial Management Improvement Act (FFMIA) and Federal Managers’ Financial Integrity Act										100%	100%	Y	100%	100%	Y
FY 2001-2002: DOL financial management conforms to all Federal accounting standards, laws, and regulations. All DOL financial systems meet FFMIA and Government Management Reform Act standards.				100%	100%	Y	100%	100%	S						
FY 2000: All DOL financial systems meet the standards or have prepared corrective action plans to meet them	88%	100%	S												
Issue consolidated financial statements by Feb.1 the following year	NA	NA	NA	NA	NA	NA	NA	NA	NA	100%	Y	Y	Y	Y	Y
Issue quarterly financial statements within 45 days after each quarter	NA	NA	NA	NA	NA	NA	NA	NA	NA	100%	Y	Y	Y	Y	Y

Identify and correct processes and systems that contribute to erroneous benefit overpayments	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	N	Y	N
Data Source(s): OIG audit opinion in FY 2003 Annual Report; Secretary's Assurance Statements on FFMIA and FMFIA; President's Management Agenda Scorecard															

Performance Goal FM2 (OCFO) Integrate financial and performance management to support day-to-day operations across DOL						
*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2003 Goal Achieved			FY 2004 Goal Achieved		
	Result	Target	*	Result	Target	*
Interfaced Department Accounting and Agency program systems provide cost-based performance data	NA	NA	NA	Y	Y	Y
Develop and disseminate cost accounting policy and training materials to address issues raised in prior year survey	NA	NA	NA	Y	Y	Y
Assess program agencies' level of integration of financial and performance information. Prioritize areas for improvement	100%	Y	Y	NA	NA	NA
Complete documentation with and for agency managers in order for them to access and utilize cost accounting information	100%	Y	Y	NA	NA	NA
Survey program managers for actual use of cost accounting information in program management decision-making processes	100%	Y	Y	NA	NA	NA
Data Source(s): OMB Financial Management Scorecard						

Performance Goal IT1 (OASAM) E-Government - Utilizing Technology to Improve Service and Efficiency			
*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2004 Goal Not Achieved		
	Result	Target	*
Automate 100% of the Manual Processes Designated Under GPEA	93%	100%	N
Implement the Web-based E-Procurement System (EPS) in seven DOL component agencies.	14	7	Y
Establish an Enterprise-wide Directory Service	Y	Y	Y
Data Source(s): 1. GPEA and E-Gov Progress Reports to OMB and other internal reports. 2. Internal tracking activities for progress on E-Government initiatives, E-Procurement Implementation, and E-Government Workforce efforts. 3. Phase II Enterprise Architecture documentation, Industry-standard best practices and Quarterly IT reviews			

Performance Goal IT2 (OASAM) Improve the performance of Department's Cyber Security Program in accordance with the Federal Information Security Management Act (FISMA)			
*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2004 Goal Achieved		
	Result	Target	*
Percent of DOL's sensitive systems that have been periodically assessed for risk and magnitude of harm that might result from unauthorized access.	95%	95%	Y

Percent of all weaknesses documented in the FY 2004 Plan of Actions and Milestones (POA&Ms) closed or on schedule	65%	60%	Y
Percent of all DOL sensitive systems fully certified and accredited during FY04	94%	90%	Y
Percent of all DOL employees and contractors that receive annual security awareness training	98%	98%	Y
Percent of DOL's sensitive systems for which a System Test and Evaluation has been conducted	94%	85%	Y
Percent of DOL agencies that respond to Computer Security Incident Response Capability (DOLCSIRC) advisories in accordance with the procedures in the DOL Computer Security Handbook	60%	50%	Y
Percent of all DOL sensitive systems with contingency plans	98%	95%	Y
Percent of contingency plans tested	52%	50%	Y
Data Source(s): 1, 3, 4, 5, 7, & 8. FISMA Agency reviews and final report. 2. 4th Quarter PO&AM report to OMB. 6. DOLCSIRC Agency Reply Tracking Sheet.			

Performance Goal IT3 (OASAM)
Improve organizational performance and effective information management through the use of the Departmental IT Capital Planning Investment Control process

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2004 Goal Achieved		
	Result	Target	*
Percent of major IT initiatives completed during FY 2004 that deliver intended benefits	95%	95%	Y
Percent of in-process IT initiatives evaluated operate within 10% of cost, schedule, and technical performance parameters	93%	87%	Y
Rollout and migration to new investment management application for use during the FY 2006 budget cycle	Y	Y	Y
Data Source(s): 1 & 2. Quarterly control reviews and post implementation reviews. 3. Exhibits 53 and 300 submitted in 9/04.			

2. Significant FY 2004 Audits and Evaluations

The Department of Labor has worked hard to cultivate an "Evaluation Culture," a term used by the U.S. General Accounting Office (GAO) in a recent report.[32] For the Department, this has meant welcoming objective reviews and audits by the Office of the Inspector General (OIG) and the GAO. Beyond that, we initiate self-examination by contracting with professional evaluators, inviting them to study our programs and assess our effectiveness.

During the course of the past year, the evaluation programs at the Department of Labor have supported a wide variety of studies, such as:

- **Process evaluations:** reviewing our operating procedures and program implementation.
- **Outcome evaluations:** moving us beyond a focus on our "outputs" and guiding us further in our commitment toward producing positive "outcomes."
- **Impact evaluations:** distinguishing the precise contribution of our programs from that of other external factors.
- **Case studies:** analyzing the delicate balance between the cost of operations and the yield in benefits.

While all of the audits and evaluations described below have their own unique focus and content, they each share in our common goal of trying to improve our efforts to develop a global economy for the 21st century.

Studies Conducted by the DOL Office of Inspector General (OIG)

1. Bureau of Labor Statistics: Government Information Security Reform Act (GISRA) Review of Current Population Survey (CPS), July 2002.

Performance Goal(s) Affected: 1.3A – Improve information available to decision-makers on labor market conditions, and price and productivity changes

Findings: There were four findings related to: (1) the CPS Continuity of Operations Plan (COOP); (2) the CPS System Security Plan (SSP); (3) security controls of the CPS; and (4) a Bureau-wide Uninterruptible Power Supply (UPS) system.
Recommendations: (1) Complete, provide training, and test the CPS Continuity of Operations Plan (COOP); (2) Complete risk assessment and update the CPS System Security Plan (SSP); (3) Add "Data Integrity and Validation" section to the CPS SSP; (4) Test and evaluate the security controls of the CPS; and (5) Procure new building-wide Uninterruptible Power Supply (UPS) system.
Actions Taken: BLS responded to the final report from the OIG on November 21, 2003. Each of the five recommendations is completed, except for Number 1. Number 1 includes COOP testing, which is a longer-term commitment.
Additional Information: A copy of the final evaluation may be obtained from the Bureau of Labor Statistics, Division of Management Systems, Room 4080, 2 Massachusetts Avenue, NE, Washington, DC 20212, or by calling 202-691-7628.

2. Employee Benefits Security Administration: Audit of EBSA Participant and Compliance Assistance Program (#09-04-001-12-121), March 2004.

Performance Goal(s) Affected: 2.2B – Enhance pension and health benefit security

Findings: The Office of Inspector General conducted an audit of the Employee Benefits Security Administration's Participant and Compliance Assistance program. The objective was to determine if EBSA's program: (1) provided information and assistance timely and accurately; and (2) whether the reported performance data, including benefit recoveries, was accurately reported for FY 2002. The OIG findings and

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[32] *Program Evaluation: An Evaluation Culture and Collaborative Partnerships Help Build Agency Capacity,* GAO-03-454, May 2003.

recommendations are summarized as follows: (1) EBSA provided information and assistance timely and accurately; and (2) reported performance data was reasonably accurate.
Recommendations: None.
Actions Taken: None.
Additional Information: http://www.oig.dol.gov/public/reports/oa/2004/09-04-001-12-121.pdf

3. **Employee Benefits Security Administration: EBSA Needs Additional Authority to Improve Quality of Employee Benefit Plan Audits (#09-04-005-12-12), September 2004**

   Performance Goal Affected: 2.2B – Enhance pension and health benefit security.

Findings: The OIG reviewed the process used by EBSA to identify and correct substandard audits of employee benefit plans. The Employee Retirement Income Security Act (ERISA) requires employee benefit plans to be audited annually. The audit requirement is intended to help protect the interests of benefit plan participants and beneficiaries. The OIG found that although EBSA has made efforts to correct substandard audits, including rejecting annual report findings and referring auditors to oversight and or licensing organizations for possible investigation and disciplinary action, the process for identifying and correcting substandard audits has not been effective. For example, some referred audits had not been brought up to ERISA requirements. Moreover, OIG's review found that EBSA does not have the authority to take direct action against auditors who perform substandard audits on employee benefit plans.
Recommendations: Among the OIG's recommendations were that EBSA propose changes to ERISA to grant EBSA greater enforcement authority over such matter as registration, suspension, debarment, and civil penalties against employee benefit plan auditors. The IG also recommended that EBSA improve the accuracy of its case tracking system and develop targeting methods to identify substandard audits based on common attributes of plans with substandard audits.
Actions Taken: EBSA responded the OIG report, generally agreeing with its recommendations, identifying planned steps to address the recommendations, and citing ongoing efforts to improve employee benefit plan audit quality. With respect to its enforcement authority, EBSA responded that it recognizes deficiencies in the current law and is considering options for correcting those deficiencies. With regard to identifying substandard audits, EBSA is adopting an inspection approach, which focuses on CPA firms performing the most employee benefit plan audits.
Additional Information: http://www.oig.dol.gov/public/reports/oa

4. **Employment Standards Administration: 2003 Financial Audit (#22-04-002-13-001), March 2004**

   Performance Goal(s) Affected: 2.2C – Minimize the human, social and financial impact of work-related injuries for workers and their families.

Findings: To determine continuing eligibility for some claimants' compensation, FECA is required to periodically review medical evidence. An Office of Inspector General audit concluded that the primary control ensuring that claimants submit medical evidence was not effective. Because OWCP did not follow its procedures, it could not terminate benefits if the medical evidence did not support continuing eligibility.
Recommendations: The Chief Financial Officer should ensure that ESA implements automated procedures to ensure FECA claims examiners review current medical evidence.
Actions Taken: The long-term solution rests with a new automated Periodic Entitlement Review application that checks files for the presence or absence of current medical evidence. In December 2004, FECA will begin using an automated tracking mechanism that will alert claims staff when medical evaluations are due. The FECA program believes that the new system and targeted training will eliminate this finding from future audits.
Additional Information: http://www.oig.dol.gov/public/reports/oa/

5. **Employment Standards Administration: Concerns Persist with the Integrity of Davis Bacon Prevailing Wage Determinations (#04-04-003-04-420), March 2004.**

   Performance Goal(s) Affected: 2.1A – Covered American workplaces legally, fairly, and safely employ and compensate their workers.

Findings: The Office of Inspector General audited the process of determining prevailing wage rates under the Davis-Bacon Act and found the Wage and Hour Division (WHD) had not sufficiently resolved past OIG and GAO concerns and recommendations. The OIG identified three issues that continue to affect the validity and usefulness of Davis-Bacon surveys: (1) errors in submitted wage data; (2) a methodology that may allow bias; and (3) time gaps between surveys and the resulting publication of the results.
Recommendations: OIG concluded that the current wage determination process should be replaced with a statistically valid methodology, and encouraged ESA to promote changes that would allow reliable and objective sources of data, such as those offered by the Bureau of Labor Statistics (BLS), to be used in prevailing wage determinations.
Actions Taken: WHD has contacted BLS about the possibility of using its data as a basis for Davis-Bacon prevailing wage determinations.
Additional Information: http://www.oig.dol.gov/public/reports/oa/2004/04-04-003-04-420.pdf

6. **Employment and Training Administration: New Hire Detection is a Better Method for Establishing UI Overpayments (#05-04-002-03-315), September 2004**

   Performance Goal(s) Affected: 2.2A – Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up Unemployment tax accounts promptly for new employers.

Findings: The UI program, a Federal-state partnership, is the DOL's largest income maintenance program. While the framework of the program is determined by Federal law, benefits for individuals are dependent on state law and administered by State Workforce Agencies. The UI system could attain significant savings by detecting overpayments through cross-matching UI claims against state and national new hire data. This would detect UI claimants who have returned to work but are still collecting UI benefits. Using new hire data to identify overpayments is more effective than the more common method of matching UI claims against employers' quarterly wage records because employers must report new hires within twenty days, whereas wage records are not available for months. The new hire method results in earlier detection of overpayments, reduces overpayment dollars, and increases the chance of overpayment recovery. In 2003, the OIG made recommendations for reducing overpayments by expanding states' use of new hire data. The full implementation of these recommendations, in OIG's opinion, would save the Unemployment Trust Fund (UTF) an estimated $428 million annually. In response, DOL implemented a pilot program in 6 states and improved its quality control program. DOL's Employment and Training Administration (ETA) also drafted policy changes and is collecting data for the pilot program. The pilot cost-benefit study results are due in January 2006. DOL will then need to make sure that lessons learned from the pilot are implemented. Despite the benefits of new hire detection, a recent OIG audit found 12 states had not used their own state new hire data to reduce overpayments.
Recommendations: OIG recommended that ETA 1) continue to provide technical assistance and resources to the state UI programs that are currently not using new hire detection in order to initiate and/or complete plans for implementation as soon as possible; 2) work with Department of Health and Human Services (DHHS) to communicate to Congress the need for amending the Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PRWORA), or introducing new legislation, to require employers to report a new hire's first day of earnings and provide a clear, consistent, nationwide definition for this date; 3) encourage state UI programs to access the National Directory of New Hire (NDNH) and coordinate efforts with DHHS and the state UI programs to accomplish this; 4) work with DHHS, the lead department, to encourage state agencies compiling the State Directory of New Hires (SDNH) to expand monitoring and outreach programs that will improve employer compliance and seek enforcement through penalties for employers who repeatedly fail to report new hires; and 5) assist the state UI programs in analyzing resources to determine the best detection methods, how to best allocate resources, and frequency of New Hire cross-matches.
Actions Taken: DOL was very pleased with the enactment of P.L. 108-295, which is based on draft legislation proposed DOL, and which gives state UI agencies access to the National Directory of New Hires. This will enhance states' ability to detect unreported work violations by UI claimants working in other states or for certain multi-state employers who may be all new hires to only one state. ETA is working with the Department of Health and Human Services on implementation details and will encourage states to use the directory when it becomes accessible. ETA continues to promote activities to prevent and detect overpayments. In FY 2004, $2.3 million in funds is being made available to states that submitted acceptable proposals to implement or enhance benefit payment control activities such as computer cross-matches to detect overpayments. An example of these

activities would include the use of the states' Directories of New Hires as well as an electronic data exchange between state UI agencies and the Social Security Administration.
Additional Information: http://www.oig.dol.gov/public

7. **OSHA's Future System Development Efforts Require Greater Use of Best Practices (#23-04-009-10-001), September 2004**

   Performance Goal(s) affected: 3.1C – Reduce occupational fatalities. 3.1D – Reduce occupational injuries and illnesses.

Findings: Based on observations made in FY 2002 and 2003, OIG identified three Project Management weaknesses in OSHA's IMIS Redesign project: (1) project management didn't cover the entire period; (2) lack of steady and assured funding increased project risk; (3) agency's Project Manager lacked system development knowledge/experience.
Recommendations: OIG made four recommendations: (1) Develop an SDLC (System Development Life Cycle) approach incorporating best practices to minimize risk in future system development; (2) Correct project management weaknesses identified in the report; (3) Ensure that every major system development effort is led by a senior program expert with experience and knowledge of the agency's mission, functions, and operations; and, (4) Obtain periodic status reports and information from the Project Manager.
Actions Taken: The agency accepted all of the OIG recommendations. The agency had previously suspended further work on the IMIS Redesign and had contracted for an independent assessment of its IMIS Redesign activities. OSHA is awaiting the contractor's final report. Receipt of that evaluation will assist the agency in determining how best to proceed in complying with the OIG recommendations.
Additional Information: http://www.oig.dol.gov

8. **Office of the Assistant Secretary for Administration and Management: Departmentwide Reportable Conditions Resulting from OIG's Audit of General, Application, and Security Controls for Selected DOL IT systems that Support the Financial Statements (#23-04-001-07-001), March 2004.**

   Performance Goal(s) Affected: IT2 – Continuously improve the performance of the Department's Cyber Security Program in accordance with the Federal Information Security Management Act (FISMA).

Findings: 1) The Department lacks strong logical security controls (LSC) to secure the Department's data and information. DOL has not developed and performed comprehensive tests of all continuity of operations/disaster recovery plans for critical systems and processes. 2) DOL agencies are in varying stages of disaster recovery plan development and testing and the Department has not conducted a coordinated Department-wide test of disaster recovery plans. 3) The Department has not corrected known vulnerabilities associated with its IT systems.
Recommendations: Recommend the Department continue to improve its security architecture and technical security standards, administrative and end-user guidelines and procedures, enforcement and monitoring processes, disaster recovery planning, and process for resolving known IT vulnerabilities and weaknesses.
Actions Taken: To correct the Logical Security Control (LSC) deficiencies, the Office of the Chief Information Officer (OCIO) has performed a complete review of Departmental operations manuals and proposed revisions to the documents; developed the DOL Technical Standards Manual (TSM) to provide hardening system standards and integrate actions for security configuration management; and revised the Computer Security Handbook. The Disaster Recovery/Contingency Planning Working Group has completed the following actions: (1) collected information from all DOL agencies related to the agencies processing priorities; (2) collected information from all DOL agencies related to the agencies' primary and backup data center status; (3) integrated collected information into the Department's consolidation efforts; and (4) further developed a bridging document that links Agency Contingency planning efforts to the DOL COOP, where applicable. This information helps clarify the role the Departmental Communications Network (DCN) will play in the failure and recovery process. OCIO has also developed a comprehensive test plan for the Emergency Management Center (EM-Net) and ECN/DCN networks to provide backup Internet and DOL agency connectivity; continued work to provide redundant agency inter-connectivity through a set of alternative DCN network interconnections; continued testing of core functions such as Active Directory, Common E-Mail and Internet connectivity; arranged for implementation of Backup Active Directory servers; prepared for Backup Common E-Mail services; and completed testing of the backup Internet connectivity. The OCIO Security team continues to monitor the agencies' implementation of their Plan of Action

& Milestones; in response to a memo from the CIO to Agency Heads requesting that they resolve outstanding OIG recommendations by August, Agencies met with OIG and performed the necessary mitigation activities. As a result, the majority of the outstanding OIG recommendations have been closed and OIG is considering removing this recommendation from its reportable conditions.
Additional Information: http://www.oig.dol.gov/public/reports/oa/

Studies Conducted by the U.S. Government Accountability Office (GAO)

9. **Employment and Training Administration: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help (GAO-04-657), June 2004.**

   Performance Goal(s) Affected: 1.1A – Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act Adult program. 1.1F – Increase the employment, retention, and earnings replacement of individuals registered under the WIA dislocated worker program.

Findings: The study found that Workforce Investment Act (WIA) performance data: (1) provides a national picture of workforce outcomes, but these data offer little information about current performance (because of time lags in Unemployment Insurance wage data from about 1 ½ years to 2 ½ years); and (2) represents a small portion of job seekers who received WIA services because of restrictions in the law and policies of Labor. The study also noted that states and local areas try to fill data gaps by using other locally defined indicators such as additional job-seeker measures, employer measures, and program partnership measures, but states and local areas would like more help from Labor in disseminating best practices on interim performance measures.
Recommendations: GAO recommends that Labor: (1) continue to allow supplemental data for reporting outcomes; (2) assist states in sharing best practices on interim indicators; (3) develop a systematic method to account for different populations and economic conditions when negotiating performance levels; and (4) expedite steps to implement an impact evaluation of WIA services. Lastly, Congress may also consider requiring that all WIA participants be tracked for reporting purposes.
Actions Taken: (1) DOL published guidance on the Common Measures for employment, retention and earnings in Training and Employment Guidance Letter 15-03. These measures require the use of Unemployment Insurance wage records for reporting on WIA performance outcomes, and continue to allow states to use supplemental wage data to assess program outcomes. Further guidance is being provided for using supplemental wage data, and states will be allowed to use and report supplemental wage data where appropriate. (2) For sharing best practices to states and local areas, ETA has created a system-based Web site where successful practices in this and other program areas can be posted by program operators. ETA Performance Enhancement Project is developing an on-line tutorial on WIA performance measures to assist states and local areas for improving performance outcomes. (3) ETA currently has a project with the State of Michigan to develop an adjustment model to account for economic conditions and different populations. Michigan has the lead in partnering with other states in the design and development of an adjustment model. (4) ETA plans to conduct an impact evaluation of the reauthorized WIA programs when the changes are implemented. A major study of this type will be more cost-effective if conducted after the WIA reauthorization because of the significant changes proposed for the reauthorization.
Additional Information: http://www.gao.gov/new.items/d04657.pdf

10. **Employment and Training Administration: Labor Actions Can Help States Improve Quality of Performance Outcome Data and Delivery of Youth Services (GAO-04-308), February 2004**

    Performance Goal(s) Affected: 1.2A – Increase entrance and retention of youth registered under the WIA youth program in education or employment.

Findings: The study found that local areas primarily used the WIA program for dropout prevention and other efforts to improve academic achievement for in-school youth. Local areas emphasized learning-related summer employment for in-school youth. Local areas reported that serving out-of-school youth is difficult, expensive, and less effective, but when services are provided, they tend to focus on occupational skills training and supportive services. Despite DOL's guidance, areas face implementation challenges in identifying and retaining out-of-school youth, providing youth with mentoring and follow-up services, and using interim measures for on-going

program assessment. Access to DOL's promising practice website and to technical assistance has been difficult for some local areas.
Recommendations: GAO is recommending that the Departments of Labor and Education coordinate efforts to clarify how schools can work with workforce officials to help connect school dropouts to local WIA youth programs. GAO is also recommending that the Department of Labor provide states and local areas with technical assistance necessary to address the aforementioned ongoing implementation challenges and establish standard monitoring procedures to improve the quality of data reported by states.
Actions Taken: DOL is setting up an interagency group with the Department of Education and will issue guidance on connecting dropouts to WIA youth programs. DOL will also issue guidance on a number of ongoing implementation challenges including serving out-of-school youth, providing mentoring services, providing follow-up services, and using interim measures to track program performance. The data validation initiative will ensure improvements in the quality of data reported by states.
Additional Information: http://www.gao.gov/new.items/d04308.pdf

11. Employment and Training Administration: Trade Adjustment Assistance: Reforms Have Accelerated Training Enrollment, but Implementation Challenges Remain; GAO-04-1012, September 2004

Performance Goal(s) Affected: 1.1G - Increase the employment, retention, and earnings replacement of workers dislocated in important part because of trade and who receive trade adjustment assistance benefits.

Findings: The GAO report notes that at this early stage of implementation of the Trade Adjustment Assistance (TAA) Reform Act of 2002, several changes appear to be helping trade-affected workers. Overall, the study found that most workers are enrolling for service more quickly than in prior years because of a new 40-day time limit for DOL to process petitions which reduced the processing time from 107 days in 2002 to 38 days in 2003, and because of requirements for workers to register more quickly after the TAA certification or layoff event. One concern expressed in the GAO report was that this may not leave enough time to assess a worker's needs, particularly during a large layoff. Implementation of the Health Coverage Tax Credit has increased the workload in some areas. Demand for TAA training increased substantially in FY 2002, prior to implementation of the reforms, and States have struggled to meet the higher demand with available TAA training funds, even though TAA training funds available nationally doubled between FY 2002 and 2003. Most States have responded by using other federal employment and training resources. The study notes that information on TAA program results has been limited, but DOL is making improvements using wage records to track TAA outcomes and through a five year evaluation study initiated in FY 2003.
Recommendations: The study recommends that DOL monitor implementation of TAA for unintended consequences and propose legislative changes, if appropriate. In particular, DOL should track: (1) the ability of workers to meet the new training enrollment deadline and of states and local areas to provide appropriate assessments to impacted workers within deadlines; and (2) whether the eligibility criteria for the new wage insurance program are resulting in denial of services to some older workers who could benefit from the program.
Actions Taken: ETA shares GAO's concerns related to the possible negative impact on some workers of the retraining enrollment deadline and the new wage insurance provision having to do with "less than easily transferable skills" which may be resulting in denial of services to some workers who might benefit from them. ETA's Division of Trade Adjustment Assistance intends to work closely with states in upcoming months, when more experience with these issues is available, to better assess the possible need for legislative remedies. In addition, inclusion of the GAO concerns for further examination in the recently initiated TAA evaluation study will be explored.
Additional Information: A copy of this report may be found at http://www.gao.gov/new.items/d041012.pdf

12. Mine Safety and Health Administration: MSHA Devotes Substantial Effort to Ensuring the Safety and Health of Coal Miners, but Its Programs Could Be Strengthened, GAO-03-945, October 2003

Performance Goal(s) Affected: 3.1A – Reduce the mine industry fatal injury and all-injury incidence rates. 3.1B – Reduce the percentage of respirable coal dust samples and silica dust samples in mines exceeding applicable standards; and reduce noise exposures above the citation level in all mines.

Findings: To help ensure the safety and health of underground coal miners, MSHA staff review and approve mine plans, conduct inspections, and investigate serious accidents. In these three areas, GAO found that MSHA

has extensive procedures and qualified staff. However, GAO found that MSHA can improve oversight, guidance, and human capital planning efforts.
Recommendations: (1) Monitor the timeliness of ventilation and roof control plan review to ensure that all inspections are completed by the district offices. (2) Monitor follow-up actions taken by district offices to ensure that mine operators are correcting hazards on a timely basis. (3) Update and consolidate guidance provided to district offices on plan approval and inspections to eliminate inconsistencies and outdated instructions, and clarify guidance on coordinating technical inspections with regular quarterly inspections. (4) Develop a plan for addressing anticipated shortages of qualified inspectors. (5) Amend the guidance provided to independent contractors engaged in high-hazard activities requiring them to report information on the number of hours worked at specific mines so that MSHA can use this information to compute the injury and fatality rates used to measure the effectiveness of its enforcement efforts. (6) Revise systems used to collect information on accidents and investigations to provide better data on accidents and better link injuries, accidents, and investigations.
Actions Taken: MSHA has: (1) improved headquarters monitoring of timely ventilation and roof control plan approvals; (2) improved headquarters monitoring of timely operator abatements; (3) updated and consolidated plan approval and inspection guidance, and procedures; (4) developed human capital strategies to address future inspector shortages; (5) initiated an independent contractor study of factors influencing contractor employment and potential methods to obtain contractor injury and employment data by individual mine; and (6) incorporated the existing Accident Investigation (AI) database into the MSHA Data Warehouse, allowing better linkage between accidents and investigations, and will develop additional information technology solutions to incorporate Part 50 data, including information currently residing in the AI database, into MSHA's new Standardized Information System (FY 2005 and 2006).
Additional Information: Copies of the report can be obtained at http://www.gao.gov/new.items/d03945.pdf

13. Occupational Safety and Health Administration: OSHA's Voluntary Compliance Strategies Show Promising Results, but Should be Evaluated before They are Expanded, GAO-04-378, March 2004

Performance Goal(s) Affected: 3.1C – Reduce occupational fatalities. 3.1D – Reduce occupational injuries and illnesses.

Findings: OSHA's voluntary compliance programs appear to have yielded many positive outcomes, but OSHA does not yet have adequate data to assess their individual and relative effectiveness.
Recommendations: GAO recommended that OSHA: (1) identify cost-effective methods of assessing the effectiveness of OSHA's voluntary compliance programs; and (2) develop a strategic framework that articulates the priorities and resource allocations for the agency's voluntary compliance programs before further expanding the use of these strategies.
Actions Taken: At OSHA's request, DOL has funded an evaluation of the effectiveness of OSHA's Voluntary Protection Programs (VPP) in reducing injuries and illnesses from the inception of the employers' decision to participate in the VPP through to acceptance into the VPP. As part of this effort, the contractor conducting the evaluation is planning to develop a model to estimate VPP participants' changes in injury and rates over time that could be used for other OSHA voluntary compliance programs.
Additional Information: http://www.gao.gov/new.items/d04378.pdf

14. Occupational Safety and Health Administration: OSHA's Complaint Response Policies: OSHA Credits Its Complaint System with Conserving Agency Resources, but the System Still Warrants Improvement, GAO-04-658, June 2004

Performance Goal(s) Affected: 3.1C – Reduce occupational fatalities. 3.1D – Reduce occupational injuries and illnesses.

Findings: The GAO stated that the extent of OSHA's area office supervisors' involvement in the decision-making process regarding which worker safety and health complaints would result in inspections and which would not varied across area offices. (OSHA's complaint policy sets forth certain responsibilities for area office supervisors in deciding which complaints should be investigated by inspection and which should be investigated by other means.) Although OSHA requires annual audits to identify the extent to which its area offices are correctly employing the OSHA complaint policies, some regions were not conducting these audits.

Recommendations: OSHA should ensure that area offices comply with complaint practices established by the agency and take additional actions to improve the quality of complaint information.
Actions Taken: OSHA is taking action to ensure compliance with its complaint policies**.**
Additional Information: http://www.gao.gov/new.items/d04658.pdf

15. **Occupational Safety and Health Administration: OSHA's Oversight of Its Civil Penalty Determination and Violation Abatement Processes Has Limitations, GAO-04-920, August 2004**

    Performance Goal(s) Affected: 3.1C – Reduce occupational fatalities. 3.1D – Reduce occupational injuries and illnesses.

Findings: GAO found that OSHA's oversight for ensuring that penalties are correctly determined and violations are properly abated had limitations. While the national office received copies of the regions' annual audits, it did not review or use them to monitor the extent to which penalties were calculated correctly and violations were properly abated. Even if OSHA had used the results of annual audits for oversight purposes, the information the audits provided was not always complete. In four of five regional offices that GAO reviewed, audits were not completed in accordance with OSHA procedures during fiscal years 2002 and 2003.
Recommendations: OSHA should ensure that regions complete audits in accordance with its required audit procedures and monitor audit results to oversee civil penalty determination and violation abatement processes. In addition, GAO recommended that the Secretary of Labor direct the Assistant Secretary for Occupational Safety and Health to evaluate the feasibility of using statistical modeling to help OSHA determine if penalties are being assessed correctly and identify if unanticipated factors are influencing penalty amounts.
Action Taken: OSHA is taking action to ensure compliance with its civil penalty determination and violation abatement processes.
Additional Information: http://www.gao.gov/new.items/d04920.pdf

Studies Conducted by Other Evaluators

16. **Employee Benefits Security Administration: Assessing the Effectiveness of Methodologies Used to Evaluate EBSA's Enforcement Program – Case Opening and Results Analysis and Baseline Compliance Studies, March 2004.**

    Performance Goal(s) Affected: 2.2B – Enhance Pension and Health Benefit Security

Conducted by: Mathematica Policy Research (MPR)

Findings: Compliance Baselines: (1) Compliance baselines are useful for allocating EBSA investigative resources but do not, by themselves, measure program impact; (2) Measuring baseline compliance would require an unreasonable diversion of investigative resources away from plans in which there is evidence of a violation, thus diminishing agency performance; (3) Estimating EBSA program impacts requires an experimental design because they cannot be measured by a baseline compliance audit alone; and (4) Neither a true experimental design nor the most reliable quasi-experimental design is feasible and the least reliable experimental design while feasible, would be expensive. When comparing National Project pension investigation cases: (1) Most effective at closing cases with results if the source of investigation is a participant complaint; (2) Most efficient cases are those that are regional office initiated; (3) When measured by highest average monetary result per investigation, those cases referred by state and local government are the most successful; (4) When measured by number of participants, EBSA was most effective and efficient with plans less than 100 participants but generated the highest average monetary result in cases with more than 2,500 participants. When comparing National Project health investigation cases: (1) Most effective and efficient at closing cases with results if the source of investigation is a national office referral; (2) When measured by highest monetary result per investigation, those cases referred by state and local government are again the most successful; (3) When measured by number of participants, EBSA is most effective with plans fewer less than 10,000 participants but generated the highest average monetary result in cases with more than 50,000 participants.
Recommendations: (1) Ensure that the Enforcement Management System (EMS) contains highly accurate data by executing edit checks and error detection reports at least annually; (2) Modify EMS fields so that they more

accurately reflect plan data stored in the EDS; (3) Continue to use outcome measures like those contained in the FY 2003-2008 Strategic Plan; (4) consider computer modeling to address investigative balancing and coverage objectives to include cost effectiveness of various strategies.
Actions Taken: (1) EBSA has incorporated the suggested edit checks into EMS. The newest EMS version should be operational during the first quarter of FY 2005. (2) EBSA is reviewing the changes suggested to better reflect EDS data in EMS. (3) EBSA will evaluate the concept of computer modeling to address investigative balancing and coverage objectives.
Additional Information: A copy of the complete report can be obtained from the Employee Benefits Security Administration, 200 Constitution Avenue, N.W., Room N-5702 Washington, D.C., 20210.

17. Employee Benefits Security Administration: EBSA Customer Service Program, March 2004,

Performance Goal(s) Affected: 2.2B – Enhance Pension and Health Benefit Security

Conducted by: The Gallup Organization

Findings: The Gallup Organization conducted a comprehensive program evaluation comprising five distinct activities within the Office of Participant Assistance. The evaluation included a quantitative evaluation of the participant assistance program involving both a mystery shopping technique and customer satisfaction surveys of the participants served as well as selected program publications, the outreach program, and the EBSA website. Study findings and recommendations include: Participant Assistance Customer Satisfaction Surveys and Mystery Shopper: (1) EBSA met its customer satisfaction goal and received strong ratings overall but there was variance amongst offices and amongst staff. (2) Those offices and individuals scoring the highest were more likely to "delve into the customer's question in more detail", provide the "right level of detail" in their answers, and provide "as complete an answer as possible." Higher scores were also correlated to obtaining benefit recoveries. (3) EBSA needs to improve its score on being easy to find and reach. Publications Surveys: (1) Survey response rates were extremely low suggesting that other forms of evaluation are warranted. (2) *Pension and Health Coverage for Dislocated Workers* was viewed favorably by workers. (3) *Health Benefits Under COBRA* was viewed favorably but some readers suggested more detailed content, and (4) *Savings Fitness* was viewed favorably but some suggested that more graphics and illustrations would have been helpful. Outreach Surveys**:** (1) Attendees and sponsors of outreach seminars rate presenters favorably. (2) EBSA received its highest score for presenters being knowledgeable and well informed. (3) EBSA received its lowest scores for information being clear and easy to understand. Website Surveys**:** (1) A wide variety of users access the web site and for a variety of reasons. (2) Users spend a substantial amount of time and many are repeat visitors. (3) A majority of users give the web-site positive ratings. (4) The website has strengths (e.g. clear, concise, useful, and trustworthy) but also some weaknesses (e.g. search engine, layout, easy to find information).
Recommendations: Participant Assistance Customer Satisfaction Surveys and Mystery Shopping: (1) use qualitative evaluation results in conjunction with customer satisfaction results to direct next steps; (2) share individual results with advisors and managers to aid training and customer service improvement; (3) share best practices of top BAs and offices for meeting service attributes described above; (4) examine existing telephone systems and improve routing of calls, if necessary; (5) examine ways to make EBSA and its services easier to find and contact; and (6) examine the fit of advisers for the customer service role. Gallup also noted that EBSA's GPRA goal (75% of customers rating services a four or five on a five point scale) is too ambitious for the type of service that EBSA provides and recommended that a goal of reaching 67% over the next four years was more appropriate. Publications: (1) consider a qualitative evaluation instead of a survey; and (2) consider adding more details and graphics to the publications *Health Benefits under Cobra* and *Savings Fitness*. Outreach: (1) re-examine program content and format; and (2) continue to evaluate the presenters participating in the session. Website: (1) redesign layout; (2) improve links on Department of Labor's main site; and (3) improve the search engine.
Actions Taken: Participant Assistance Program: The Gallup Organization conducted training on the results of both participant assistance evaluations for each of the 11 offices that carry out this mission. Benefit Advisors in each office worked together to devise a plan for improving their office's scores. These plans are being implemented and will be reviewed throughout the fiscal year in conjunction with the new office-by-office satisfaction ratings to be developed by Gallup at the end of each quarter. The Department has accepted Gallup's recommendation to revise the GPRA goal from 75% to 67%. Publications: Suggestions will be taken into consideration when revising the publications. Outreach: EBSA will continue to evaluate this service and relate

updated findings to the presenters and offices conducting outreach. Web site: EBSA has shared Web site survey results with the Department's Web site coordinator for his consideration regarding issues EBSA cannot resolve, including the search engine and the Web site's overall layout.
Additional Information: A copy of the complete report can be obtained from the Employee Benefits Security Administration, 200 Constitution Avenue, N.W., Room N-5702 Washington, D.C., 20210.

18. Employment Standards Administration: Federal Employees Compensation Act (FECA) Program Effectiveness Study, March 2004.

Performance Goal(s) Affected: 2.2C – Minimize the human, social and financial impact of work-related injuries for workers and their families.

Conducted by: ICF Consulting

Findings: The study, a broad review of program's effectiveness, focused on disability case management and wage-loss benefit payments. It included a statistical review of performance data, opinion surveys of FECA program staff and stakeholders, and review of promising practices in other governmental and private workers' compensation systems. ICF's assessment of FECA was generally positive, as indicated by the finding that "…OWCP is currently employing practices that are consistent with those found in well administered, modern workers' compensation systems."
Recommendations: ICF recommended that: (1) OWCP reformulate staffing allocations and examine caseload levels in light of the heavy per examiner workload compared to other compensation programs; (2) increase collaboration among its district offices; (3) develop more in-depth data analysis capability; and (4) conduct regular and rigorous training for Federal employing agencies and work with those agencies to strengthen their disability management and injured worker reemployment programs.
Actions Taken: OWCP is currently reviewing these recommendations for adaptation to the FECA program. This review includes consideration of several industry disability and return-to-work practices and better informing Federal agencies of their own injured employees' FECA status as well as FECA's most current tracking and review methods.
Additional Information: http://www.dol.gov/esa/owcp_org.htm

19. Employment Standards Administration: Evaluation of Office of Federal Contract Compliance Programs Westat Final Report, December 2003.

Performance Goal Affected: 3.2A – Federal contractors achieve equal opportunity workplaces.

Conducted by: Westat

Findings: The Westat research findings suggest that OFCCP's effect on the employment growth of non-favored groups is primarily through the review process, and not through the threat of review among all contractors. Because reviewed establishments were more likely to be discriminators (OFCCP targeted establishments based on expectations for finding discrimination), the results suggest that the OFCCP review process was highly effective.
Recommendations: Of the 11 report recommendations, the most substantive was that OFCCP should use a model to predict discrimination among reviewed contractors and estimate predicted rates of discrimination for contractor establishments to rank them for the review process based on their predicted rate of discrimination. In addition, Westat advised OFCCP to consider: (1) defining labor markets by taking into consideration the most commonly used industry and occupation hiring practices; (2) improving the process of targeting contractors for review by tracking the history of establishments' utilization of non-favored groups and findings of compliance reviews; (3) how the review process can be incorporated into the model to estimate the probability of discrimination because it is the review process that determines discrimination; (4) further research on the effect of equal employment opportunity and OFCCP review on changes in employment shares of non-favored groups; and (5) other measures to determine the effect of equal employment opportunity and OFCCP review.
Actions Taken: OFCCP has incorporated methodologies Westat recommended into its Federal contractor selection system to improve targeting of Federal contractors for compliance evaluations. OFCCP plans to undertake research to: (1) improve the review targeting system by using newly available Census data in its data

collection and audit procedures; and (2) design a set of metrics to best measure OFCCP performance in future years.
Additional Information: Copies of the report may be obtained by contacting the Office of Federal Contract Compliance Programs, (202) 693-0101.

20. Employment and Training Administration: Creating Partnerships for Workforce Investment: How Services Are Provided Under WIA, September, 2003.

Performance Goal(s) Affected: 1.1A – Increase the employment, retention, and earnings of individuals registered under the WIA Adult program. 1.1F – Increase the employment, retention, and earnings replacement of individuals registered under the WIA dislocated worker program.

Conducted by: Berkeley Policy Research Inc.

Findings: The Workforce Investment Act (WIA) of 1998 was the first major overhaul of the nation's workforce development system in more than 15 years. Among other things, the legislation expanded opportunity for public and private entities to deliver employment and training services through the public workforce investment system. This study explores local workforce investment system variation and how local boards use non-profit, for-profit, educational, and governmental agencies to deliver WIA services. Study findings are based on case studies of sixteen local boards across eight states conducted between December 2001 and September 2002.
Recommendations: None
Actions Taken: None
Additional Information: http://www.doleta.gov/reports/searcheta/occ/

21. Employment and Training Administration: The Workforce Investment Act in Eight States: State Case Studies from a Field Network Evaluation: Volumes 1-2, February 2004.

Performance Goal(s) Affected: 1.1A – Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act Adult program. 1.1F – Increase the employment, retention, and earnings replacement of individuals registered under the WIA dislocated worker program.

Conducted by: Rockefeller Institute of Government

Findings: This two-volume set of state case studies is the result of eighteen months of work by the project's researchers to understand how states and localities interpreted and operationalized the provisions of the Workforce Investment Act (WIA) of 1998. The project took a close look at the orientation, governance, structure, and services of the workforce investment systems in eight states, and two local areas in each state, to provide information for the reauthorization of WIA. Field researchers in each state conducted a series of interviews with members of state and local boards and their staff, state and local elected officials and their staff, state agency officials responsible for workforce development and welfare programs, service providers, advocates, and other interested parties. Researchers also studied sample One-Stop Career Centers in each state. The case studies for Maryland, Michigan, Missouri, and Oregon are included in the first volume. The case studies for the states of Florida, Indiana, Texas and Utah are included in the second volume.
Recommendations: None
Actions Taken: None
Additional Information: http://www.doleta.gov/reports/searcheta/occ/

22. Employment and Training Administration: Internet Initial Claims Evaluation, October 2003

Performance Goal(s) Affected: 2.2A – Make timely and accurate benefit payments to unemployed workers.

Conducted by: HeiTech Services, Inc. and Mathematica Policy Research, Inc.

Findings: Over the past five years, 33 State Workforce Agencies have implemented systems which allow unemployed workers to file their initial unemployment insurance claim over the internet. In addition to providing unemployed workers with extended hours of access, these systems have reduced administrative costs and

provided a more convenient service method for unemployed workers to file an unemployment insurance initial claim. Policymakers chose to evaluate state Internet UI claim filing systems, with a focus on service delivery, security, fraud and abuse controls, and cost effectiveness. The report concludes that Internet-filed claims are convenient for users, low-cost to states, and have no apparent adverse impacts on timeliness or accuracy.
Recommendations: Although the report made no formal recommendations, it gives an excellent overview of Internet claims filing, and supports ETA's decision to promote states' use of the Internet for UI administration. The report does caution, however, that states need to be vigilant to protect against fraudulent exploitation and system security compromises.
Actions Taken: ETA continues to support development of Internet-based operations. It funded claims-taking systems through implementation grants to 42 states. It is currently funding state systems to enable employers to register and submit tax and wage reports through the Internet.
Additional Information: http://www.doleta.gov/reports/searcheta/occ/

23. Occupational Safety and Health Administration: Evaluation of OSHA's Impact on Workplace Injuries and Illnesses in Manufacturing Using Establishment-Specific Targeting of Interventions, July 2004.

Performance Goal(s) Affected: 3.1D – Reduce occupational injuries and illnesses.

Conducted by: Eastern Research Group (ERG)

Findings: The impact of High Hazard Notification/Cooperative Compliance Program letters to employers without any subsequent OSHA inspections on the number of Lost Workday Injury and Illness (LWDII) cases over three years was estimated to be a 4.8 -5.1 percent reduction. (This estimated reduction in the number of LWDII cases over three years would also reflect the positive effects of employers' safety and health initiatives in response to the greater likelihood of an OSHA inspection, including seeking OSHA-funded on-site consultation services.) When the letters were followed by Site Specific Targeting or Interim Targeting Program inspections, the reduction was between 12.0 and 13.8 percent. The analysis controlled for industry-wide declines in injury and illness rates, so that these reductions were in addition to the declines in injury and illness rates in manufacturing. Comparison to previous studies of OSHA's previous industry-level targeting shows that establishment-specific targeting is more effective.
Recommendations: ERG recommended that OSHA continue and refine its site-specific targeting system. Further research that OSHA could conduct to meet this goal would include determining: (1) which interventions (such as High Hazard Notification Letters, inspections, and onsite consultation visits) are most effective at reducing injuries and illnesses at establishments with given sets of characteristics; and (2) whether multiple interventions in combination with High Hazard Notification Letters have a cumulative positive effect. ERG also suggested that related analyses could be conducted to find out whether there is an optimal combination of types and numbers of interventions to maximize reduction in injuries and illnesses. This refinement might allow OSHA to estimate injury and illness reductions due to specific combinations of strategically timed OSHA interventions and would help improve the cost-effectiveness of its use of resources.
Actions Taken: OSHA is continuing its site-specific targeting system and is looking into the possibility of obtaining funding to find out whether there is an optimal combination of interventions to maximize reduction in injuries and illnesses.
Additional Information: Call (202) 693-2165 for a copy

24. Occupational Safety and Health Administration: Lookback Evaluation of OSHA's Standard for Presence Sensing Device Initiation (PSDI) of Mechanical Power Presses, May 2004

Performance Goal(s) Affected: 3.1D – Reduce occupational injuries and illnesses.

Conducted by: ICF

Findings: The technology for PSDI systems has not changed since the PSDI standard was adopted in 1988, but the technology for controlling mechanical power presses has changed considerably since OSHA promulgated that standard. A number of operating modes that are not addressed in OSHA's standard for mechanical power presses are now used, such as computer-controlled press operation. The PSDI Standard has never been implemented and

so it has been ineffective and has not produced the benefits sought by OSHA, namely, allowing industry to use a system that would increase productivity and improve safety for employees.
Recommendations: If the benefits OSHA sought in the PSDI standard are to be gained (i.e., improved worker safety and employer productivity), the standard needs to be changed.
Actions Taken: OSHA has decided to update its Mechanical Power Presses Standard to the most current version of the industry consensus standard or something similar.
Additional Information: The complete report can be found on the Federal Register website at http://a257.g.akamaitech.net/7/257/2422/06jun20041800/edocket.access.gpo.gov/2004/pdf/04-12761.pdf

25. Veterans' Employment and Training Service: Assessment of Unemployed Veterans' Needs for the Department of Labor's Veterans' Employment and Training Service, December 2003

Performance Goal(s) Affected: 1.1E – Increase the employment and retention rate of veteran job seekers registering for public labor exchange services.

Conducted by: Battelle Memorial Institute – Centers for Public Health Research and Evaluation

Findings: This study collected data from a set of seven participating States on individual veteran registrants, including demographic characteristics, services provided, and subsequent earnings experiences. The primary analyses examined the extent to which different sets of services resulted in different earnings experiences for different subgroup of veterans. The overall findings are: (1) Strong evidence was obtained indicating that "the overwhelming majority" of unemployed veterans register with the Public Labor Exchange. (2) About nine-tenths of the registered veterans receive at least one service, while about two-thirds receive two or more services. (3) The relatively high rate of unemployment recorded for young veterans is very similar to the pattern observed for other new entrants to the civilian labor force, such as recent high school graduates. (4) The average quarterly earnings of veteran registrants during the year following registration are lower than their average earnings during the quarter prior to registration, which is typical for workers who experience a spell of unemployment. (5) Traditional labor exchange services, such as job search and referral, are associated with relatively positive subsequent earnings for veterans who are: (a) young (under 25); and (b) recently separated. (6) Case management is associated with relatively positive subsequent earnings for veterans who are: (a) older (over 44); and (b) recently separated. (7) For those registered veterans who are not recently separated, who are 25-44, who are typical UI (as opposed to UCX) claimants, there is no consistent association between any service or combination of services received and subsequent earnings.
Recommendations: Recommendations focused on two areas, with specific suggestions within each area: (1) Restructuring of service delivery philosophy: Public Labor Exchange services were found to typically involve brief interventions with job seekers who frequently return for services. To counteract that tendency, it was suggested that VETS consider a more holistic, as opposed to episodic, approach to service delivery. Such an approach might include provision of greater support following entry to employment to reduce the recurrence of unemployment. (2) Introduction of new services and linkages: Case Management might be more successful if linkages with other service providers were strengthened in an "integration of services" approach.
Actions Taken: VETS is planning to use data compiled by this study as a basis for developing preliminary baseline estimates of Earnings Gain, in anticipation of the application of that performance measure under the Common Measures. In addition, VETS is considering convening a work group to undertake a policy development initiative in light of the recommendations from this study.
Additional Information: To obtain copies of this report, contact the Veterans' Employment and Training Service at 200 Constitution Ave. NW, Room S-1325, Washington, DC 20210 or call (202) 693-4749.

26. Veterans' Employment and Training Service: Measuring Strategies to Achieve Performance Goals, February 2004

Performance Goal(s) Affected: 1.1E – Increase the employment and retention rate of veteran job seekers registering for public labor exchange services.

Conducted by: The Bradson Corporation

Findings: With the advent of UI wage record based reporting, VETS is seeking performance measures that are linked to employment outcomes, but can be measured in something closer to real time. VETS needs reliable leading indicators that are clearly linked to performance and that can be used as a management tool to improve the return on the VETS budget in any given budget execution year. A proven management framework, the Balanced Scorecard (BSC) has been developed for this reason. BSC for public sector organizations generally includes four perspectives: (1) Customer Perspective; (2) Financial Perspective; (3) Internal Business Process Perspective; and (4) Organizational Capacity/Employee Perspective.
Recommendations: Study recommendations are based on the four perspectives identified above. (1) Customer Perspective: One proxy for EER that can be measured at the state level in something close to real time, based on BLS data is the Veterans' Relative Unemployment Rate, which is the ratio of the unemployment rate for veterans to the unemployment rate for non-veterans. State Directories of New Hires also are a potential source of leading indicators of EER. Some states already use this resource as a leading indicator, but additional exploration will be required before VETS can implement an indicator based on New Hire Reporting. (2) Financial Perspective**:** Until Efficiency Measures can be fully implemented, it is recommended that the VETS BSC include a measure of planned versus actual costs for DVOPs and LVERs. (3) Internal Business Process Perspective: The internal process perspective measures activities, efforts and workflow for those processes that are key to the organization's strategy. For the VETS BSC, the key categories identified are: (a) Defining the Input Stream; (b) Providing Services; (c) Providing Outreach; and (d) Implementing Priority of Service. (4) Organizational Capacity/Employee Perspective: The organizational capacity perspective addresses whether an organization has the right resources to implement its strategy. In the case of VETS, the key resources to be measured here are the DVOPs and LVERs. Four indicators are proposed that address capacity and occupancy for DVOP and LVER staff: (a) DVOP slots filled; (b) DVOP slots vacant; (c) LVER slots filled; and (d) LVER slots vacant.
Actions Taken: VETS is consulting with BLS regarding the Veterans' Relative Unemployment Rate measure because the use of this measure requires application of data with statistical error that is very high for small States. VETS seeks to determine the "cut point" in terms of State population, above which use of the measure would be appropriate.
Additional Information: To obtain copies of this report, contact the Veterans' Employment and Training Service at 200 Constitution Ave. NW, Room S-1325, Washington, DC 20210 or call (202) 693-4749.

27. Veterans' Employment and Training Service: Strategies for Implementing Priority of Service to Veterans in Department of Labor Programs, September 2004

Performance Goal(s) Affected: 1.1E **–** Increase the employment and retention rate of veteran job seekers registering for public labor exchange services.

Conducted by: The Urban Institute

Findings: A range of program strategies are used to provide priority of service to veterans, as well as strategies used in serving non-veteran populations. Two categories of program strategies were identified: (1) Procedural Strategies: Workforce development offices currently use several strategies to serve veterans within their regular office operations. Five types of procedural strategies were identified: (a) outreach activities; (b) intake and registration procedures; (c) client flow adaptations; (d) role of DVOPs and LVERs; and (e) integration and collaboration with other programs. (2) Electronic web-based and other self-service strategies: Given the increased reliance on the Internet in recent years, there has been an explosion in web-based, self-service strategies in the publicly-funded workforce development system. These strategies fit within two categories: informational strategies and job-matching strategies. Four prototypical web-based models were identified for informational strategies. For job-matching strategies, the study found that many state job-matching websites provide veterans with the option of self-identifying, which allows for various priority options within the job-matching system.
Recommendations: The *Jobs for Veterans Act* gives states and localities latitude in implementing priority of service for veterans. There are three approaches that program administrators may consider: (1) Establish service goal priorities; performance measurement and goal-setting can help to clarify the intent of priority of service and serve as a motivating force for all program staff. (2) Consider local office procedural modifications that can be tailored to local operations to improve priority of service to veterans. (3) Improve self-service resources and electronic strategies. For example, state workforce development websites can be redesigned to improve access and information for veterans, using the following criteria: (a) visibility of information; (b) types of information; (c) active as well as passive features; and (d) evaluation component.

Actions Taken: Since the public labor exchange has historically observed priority of service, the impact of the new priority of service provision falls primarily upon other workforce development programs funded by ETA. In response to the new requirement, ETA has issued overall guidance and the individual ETA programs have developed guidance specific to their missions. General information about the overall ETA guidance and the related program-specific guidance can be accessed at: www.doleta.gov/programs/VETs/

Additional Information: To obtain copies of this report, contact the Veterans' Employment and Training Service at 200 Constitution Ave. NW, Room S-1325, Washington, DC 20210 or call (202) 693-4749.

3. Improper Payments Information Act Reporting Details

I. Risk Assessment

The Department's initial risk assessment for FY 2004 was developed by reviewing all major programs, identifying the significant activities, and performing a risk assessment.

To conduct the initial risk assessment, the Department proceeded to calculate each program's FY 2003 outlays. These resources represent the program's total dollars at risk for potential improper payments. Using these resources, the Department then based its assessment on an examination of the internal control environment and the level of program outlays for FY 2004. The criteria for determining susceptible risk within the program inventory were defined as follows:

- For those programs whose outlays did not exceed the susceptibility threshold $10 million, no risk was assessed.
- For those programs whose outlays were greater that $10 million, but did not exceed $50 million, the Department deemed it unlikely that improper payment error rates exceeded the significant improper payments threshold of $10 million.
- Programs were deemed to be susceptible if outlays exceeded $200 million and if a review of the programs identified known weaknesses existed in program management based on reports issued by oversight agencies such as the Office of Inspector General and/or the General Accountability Office that indicated that the program might potentially exceed errors by $10 million.
- Programs were also deemed susceptible if required as part of the OMB A-11 Budget Submission under Section 57.

Due to the challenges posed by the grant programs, the DOL conducted an additional level of assessment in an effort to more accurately determine its non-direct grant programs' susceptibility to improper payments. The DOL utilized analysis conducted by the OIG and conducted additional evaluation of Single Audits conducted for the grant programs. In reviewing all Single Audits conducted for the DOL in FY2002 (the most recent available), as well as additional work conducted by the OIG related to its grant programs, the audits indicated that the grant programs presented few findings. Additionally, as part of this analysis the Department reviewed internal control environments and conducted detailed interviews with grant program offices to better understand their efforts to prevent and deter improper payments. This analysis demonstrated that its grant programs do not demonstrate a risk for improper payments, save for the Workforce Investment Act.

The table below lists the Programs/Activities designated as susceptible to erroneous payments, and considered for sampling:

Programs and Activities Susceptible to Improper Payments FY 2004	
Benefit Programs	
Agency	*Program/Activity*
ETA	Unemployment Insurance Program (UI)
ESA	Federal Employees Compensation Act (FECA)
ESA	Black Lung Disability Trust Fund
ESA	Energy Employees Occupational Illness Fund
Other Programs	
ETA	Workforce Investment Act (WIA) (Including Adult, Youth, and Dislocated Worker activities)
ETA	Job Corps
Other	Department of Labor Salaries
Other	Department of Labor Expenses

II. Statistical Sampling

Unemployment Insurance Program
Sampling Methodology: Improper payment rates are obtained from the Benefit Accuracy Measurement (BAM) program. It is designed to determine the accuracy of paid and denied claims in the three largest permanently authorized unemployment compensation (UC) programs: State Unemployment Insurance (UI), Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Service Members (UCX). BAM provides two rates of improper payments. The first, the annual overpayment rate, includes estimates of nearly every divergence from what state law and policy dictate the payments should have been. The second rate, the operational overpayment rate includes only recoverable overpayments states are most likely to detect using current BPC (Benefit Payment Control) procedure. These overpayments are the most likely to be detected and established for eventual recovery and return to the Trust Fund.

BAM reconstructs the UI claims process for randomly selected weekly samples of payments and denied claims using data verified by trained investigators. For claims that were overpaid, underpaid, or improperly denied, BAM determines the amount of benefits the claimant should have received, the cause of and the party responsible for the error, the point in the UI claims process at which the error was detected, and actions taken by the agency and employer prior to the error.

In reconstructing each sampled payment, the BAM program retroactively investigates the accuracy of the UI claim's monetary and separation determination, as well as all information relevant to the payment that was sampled, including the claimant's efforts to find suitable work, ability and availability for work, and earnings from casual employment or other income sources, such as pensions.

Sample Selection: The universe of the population is the payments and denials under the UI program in the testing period, July 1, 2003, to June 30, 2004. Since State UI, UCFE and UCX account for approximately 95% of UC programs, BAM is designed to determine the accuracy of paid and denied claims in the three programs. The sample selected consisted of 24,749 items for the year ending June 30, 2004. For Denied Claims Accuracy (DCA), states sample 150 cases for each of the monetary, separation, and non-separation denials; the allocated sample for each type is 7,800 cases per test per year. A total of 48,081 items were selected and tested for both the BAM and DCA samples for FY04 UI sampling.

Federal Employees Compensation Act
Sampling Methodology: A stratified sampling approach was applied to estimate improper payments for both medical bill payments and compensation payments. The medical bill payment sampling was designed to test payment issues such as duplicate payments, appropriate receipts, and billing consistent with regional allowances, payment made for appropriate procedures, and eligibility at date of service. The compensation payment sampling was designed to test issues such as compensation payments consistent with identified injury, current medical evidence supporting continued compensation payments, eligibility requirements, and calculations of compensation amounts.

Sample Selection: The universe of the population is both the compensation and medical payments paid out of the FECA program in the testing period, October 1, 2003, to March 31, 2004. The population was stratified in compensation payments and medical payments. Samples of 279 items from compensation payments and of 358 items from medical payments were selected. A total of 637 items were selected and tested for the FY04 FECA sample.

Black Lung Disability Fund
Sampling Methodology: A stratified sampling approach was applied to estimate improper payments for both medical bill payments and benefit payments. The population was stratified into medical payments and benefit payments. The medical bill payment sampling was designed to test payment issues such as duplicate payments, eligibility at date of service, procedure covered by program, and appropriate receipts and paperwork. The compensation payment sampling was designed to test issues such as eligibility requirements, calculations of compensation amounts, and calculations of compensation offsets due to dependants.

Sample Selection: The universe of the population is both the medical and benefit payments paid out of the Black Lung program in the testing period, October 1, 2003, to June 30, 2004. The sample consisted of 100 benefit payments and 67 medical bill payments. A total of 167 items were selected and tested for the FY04 Black Lung sample.

Energy Employees Occupational Illness Fund

Sampling Methodology: The sampling approach consisted of Monetary Unit Sampling (MUS) to estimate improper payments. In the sampling process, the population was stratified into compensation and medical bill payments. The medical bill payment sampling was designed to test payment issues such as duplicate payments, eligibility at date of service, procedure covered by program, and appropriate receipts and paperwork. For compensation payments, sample testing was more limited as the compensation within the program is limited to lump sum payments of $150,000 or $50,000 depending on the underlying illness. As such, testing criteria focused on testing eligibility criteria and the correctness of lump sum payment amounts paid to appropriate recipients.

Sample Selection: The universe of the population consisted of both the medical and compensation payments made under EEOICP in the testing period, October 1, 2003, to April 30, 2004. MUS was then applied to select 105 medical bill payments from the medical bill population. Using MUS, 119 compensation payments were selected the compensation population. A total of 224 items were selected and tested for FY04 Energy Employees Occupation Illness Program sample.

Job Corps

Sampling Methodology: The sampling approach consisted of a stratified sampling effort to estimate improper payments. The population was first stratified between Job Corps center operating costs and student allowances.

Sampled Selection: The universe of the population of Job Corps center operation costs is all of the operating expenses reported by Job Corps centers in the testing period, October 1, 2003 to March 31, 2004. The sample selected consisted of 130 payroll items and 229 non-personnel expense items. Additionally, 100% of non-personnel expenses with amounts greater than $5000 were selected totaling 194 items. A total of 553 items were selected and tested for FY04 Job Corps Center sample. The universe of the population of Job Corps student allowances is the entire student living and transition allowances made by Job Corps centers in the testing period, October 1, 2003, to March 31, 2004. The sample selected consisted of 319 living allowances and 365 transition allowances. A total of 684 items were selected and tested for FY04 Job Corps student allowance sample.

Department of Labor Salaries

Sampling Methodology: DOL Salaries consists of the department payrolls of the national office and two regional offices, Dallas and San Francisco. To accomplish the sampling for the payroll, simple random sampling (SRS) was applied. The testing criteria consisted of testing items such as employee's eligibility, earnings and leave tracked correctly, time card consistent with payment, and pay rate calculated correctly.

Sampled Selection: The universe of the population of Department salaries is comprised of the payroll transactions in the testing period, October 1, 2003, to March 31, 2004. A sample of 133 items from the Department's payroll transactions was selected for testing.

Department of Labor Expenses

Sampling Methodology: DOL expenses consist of department expenses related to the operation and administration of programs' and headquarters' activities. Expense transactions were stratified into seven groups and samples were then statistically drawn from each stratum. For non-payroll costs, sample testing focused on testing criteria such as: (1) appropriate contracts used, (2) competitive bidding occurred and supporting documentation existed, and (3) payments supported with invoices, (4) invoices correct, and (5) the purchase was allowable under program costs.

Sampled Selection: The universe of the population of expenses is comprised of DOL expense payments in the testing period, October 1, 2003, to June 30, 2004. A total of 164 items were selected and tested.

WIA Grant Programs
The WIA grant program continues to demonstrate a high risk of "susceptibility" to improper payments. The Department is designing a grant pilot to establish a sampling plan for this program. For more detail regarding the Department's efforts, refer to Section IX.

IPIA Reporting Requirements Summary
For the programs for which statistical sampling was feasible, *Table 1* provides a summary of the IPIA reporting status based on the estimates of annual amounts of improper payments.

Table 1

Inventory of Programs and Estimated Improper Payments			
Program Title	Estimated Improper Payment Rate	Estimated Annual Improper Payment Amount (millions)	Meets IPIA $10 Million Reporting Threshold
Unemployment Insurance	9.70%	$ 3,622	Yes
Federal Employees Compensation Act	0.25%	$6.4	No
Black Lung	2.18%	$7.7	No
Energy Employees Occupational Illness	2.01%	$5.0	No
Job Corps	0.88%	$8.4	No
DOL Salaries	0.43%	$6.7	No
DOL Expenses	0.98%	$9.8	No

III. Corrective Actions

Unemployment Insurance (UI)
For the past several years, the causes of overpayments have remained fairly constant. The principal cause is "Benefit Year Earnings" (BYE)—payments received by claimants who continue to claim benefits despite having returned to work. These constitute about a quarter of overpayments using the broad Employment Training Administration (ETA) Annual Overpayment measure (defined as nearly every divergence from what state law and policy say the payment should have been) and greater than 40% of the narrower Operational Overpayment measure (defined as only overpayments that can subsequently be recovered if formally established as overpayments and are most likely to be detectable through the tools state integrity operations [called Benefit Payment Control operations] typically use to detect overpayments after the payment has occurred). The next largest cause is errors associated with the reasons claimants separate from work; these errors are over a fifth of the broad definition and nearly 30% of the narrower definition of overpayments. Because of their prominence, ETA has devoted a significant proportion its integrity efforts in the past few years to preventing or detecting benefit year earnings overpayments. ETA's major integrity initiatives are as follows:

- Implementation of the Denied Claim Accuracy measurement program (DCA) to assess the accuracy of denial decisions (September 2001);
- Development of a Detection of Overpayments measure to assess how well the system is detecting and establishing overpayments for recovery to the Trust fund (first incorporated into the Strategic and Annual Performance Plans in FY 2003, with targets of establishing 59% of detectable/recoverable overpayments for FY 2003 and 2004). This measure is based on the Operational Overpayments definition, of which BYE overpayments are nearly one half;
- Continuing analyses of the causes and costs and benefits of prevention or establishing and recovery operations (posted to the Office of Workforce Security Web site, http://workforcesecurity.doleta.gov/unemploy).
- Encouragement and funding for states to implement benefit integrity developments, including the use of data on new hires to detect and prevent BYE overpayments. States initially began to implement the State Directory of New Hires (SDNH) for this purpose, and ETA estimates suggest that savings from their use of

this tool—largely, prevention of overpayments due to unreported work while in payment status—increased from approximately $55 million in CY 2002 to $74 million in CY 2003.

- Enhancement of states' ability to detect BYE violations by UI claimants working in other states or for certain multi-state employers who may post all new hires to only one state. Based on draft legislation proposed by the Department, the President signed P.L. 108-295 on August 9th granting state UI agencies access to the National Directory of New Hires.
- ETA has also promoted and funded states to provide connectivity to systems to exchange data with the Social Security Administration on a real-time basis. This will give states the ability to verify claimants' identity and will help prevent many, if not most, overpayments due to fraudulent or mistaken use of SSNs. Since 2002 the Department worked with States to establish electronic communications with SSA and on implementation plans. On March 5, 2004, the ETA and the Social Security Administration (SSA) signed a memorandum of understanding formalizing the data exchange agreement.
- The Department provided funds to states to establish crossmatches with other state governmental agencies, such as with state department of motor vehicles, to facilitate fraud and overpayment reduction.

ETA is also working with states to ensure recovery of improperly paid benefits. As a result of these activities, the Operational Overpayment rate, of the overpayments the states expects to recover, has risen from 57% of the Annual Overpayments for FY 2003 to approximately 60% for the 12 months ending March 31, 2004. The Operational Overpayment rate includes only recoverable overpayments states are most likely to detect using current Benefit Payment Control (BPC) procedures. These overpayments are the most likely to be detected and established for eventual recovery and return to the Trust Fund. This increase indicates that states are increasing their efforts to detect and establish overpayments for recovery. For the year ending March 31, 2004, the average State recovery rate for fraud overpayments was about 48%, and it was about 51% for overpayments that did not involve fraud (nonfraud).

For FY 2005 and beyond, ETA has proposed a state level implementation of the overpayments measure used for the Government Performance and Results Act (GPRA). This will enable greater emphasis on this aspect of integrity through the State Quality Service Plan system that is used to promote performance achievement. ETA is also conducting a pilot test of adding a post-audit crossmatch component to the BAM paid claim review. This component would use data on UI wage records or new hires to supplement the BAM investigative procedure and better detect and estimate overpayments due to BYE violations. The Administration's FY 2005 budget includes authority to collect overpayments by offset from Federal income tax refunds. It also includes a request for funding to station UI staff in state One-Stop centers to facilitate linkage of UI beneficiaries with reemployment services and to review their on-going eligibility for UI benefits. This initiative should result in the detection of separation-from-work overpayments as well as claimants who fail to meet the state's conditions for weekly eligibility for benefits, such as being able to work and available for work.

UI will evaluate these corrective action initiatives through the design of an Unemployment Insurance performance measurement metrics pilot to understand the degree to which each initiative is reducing improper payments. This pilot will enable the sharing of best practices and comparative performance metrics among states by quantifying the successes associated with each initiative. Such data will allow states to prioritize funding to the initiatives with the largest impact on improper payments.

Federal Employees Compensation Act (FECA)

Most of the improper payments identified occurred due to start-up problems with the new medical bill processing service and incorrect billing by medical providers. Previously FECA medical bills were paid by each District Office. The Employment Standards Administration's Office of Workers' Compensation Programs (OWCP) contracted for bill processing services in 2002, and in September 2003, the Central Bill Processing (CBP) service, started processing FECA medical bills. The CBP uses automated front-end editing operations to check for provider and claimant eligibility, accepted condition and treatment type, billing form and content, and duplications. The service uses proprietary software as a component of the CBP to screen professional medical and outpatient hospital bills to check for certain improper billing practices. Providers whose bills are denied by these edits are notified of the reason for the denial and instructed to resubmit the bill, if appropriate. Results are monitored in the OWCP National Office for patterns and trends which may require action such as improved instructions to the medical providers, intervention directed at individual providers, potential need of stronger software edits, etc.

Additional causes of improper payments for FECA include: (1) incorrect or incomplete information submitted for the claims record (such as pay rate, night differential rate, retirement plan, etc.), (2) OWCP errors including mistakes in judgment or interpretation in making decisions, (3) miscalculations in making payments, and (4) claimant fraud or misrepresentation. OWCP's integrity initiatives to address these issues are as follows:

- Medical bill processing performance is reviewed as a routine function of FECA National Office oversight of the central bill processing contract and is used to score against performance requirements specified in the contract.
- Compensation payment performance is reviewed by FECA district office managers, line supervisors, and fiscal operations staff; frequency of review varies according to need (e.g. supervisors and fiscal staff look at performance almost on a per-transaction basis, whereas summary performance is reviewed daily, weekly, or quarterly by supervisors and managers). Results are monitored in the National Office and used to design procedural revisions or corrective action plans for the District Offices. The National Office also conducts formal biennial accountability reviews to rate each District Office for quality and accuracy. System reports used to analyze payment information include the Report on Receivables Due from the Public (Schedule 9), Accounts Receivable Aging Schedule and Performance reports. Regular matching of death records is done to reduce improper payments.
- Case management techniques to monitor ongoing entitlement to benefits and payment accuracy. For example, FECA's Periodic Roll Management (PRM) units monitor cases receiving long-term disability benefits. Changes in medical condition or ability to return to work are identified by regular ongoing PRM review of the cases, and compensation benefits may be reduced or terminated. Benefit reductions also result from new information reported about changes in status, such as the death of a claimant. The key outcome measure for PRM is the annual amount of benefit savings generated from these case actions. Benefits savings can also be compared directly to PRM administrative costs.
- Improvements in documentation quality and encouragement of faster transmission of notice of injury and claims for compensation from the agencies to OWCP. Progress in submitting these forms more quickly yields faster and more accurate adjudication and payment, and fewer customer service problems. More than a quarter of new claims are now received via Electronic Data Interchange from the Departments of Labor, Defense, Treasury, Transportation, Veterans Affairs, and Homeland Security, and that percentage is expected to grow in the future.

Grant Programs

It is difficult to understand root causes and develop specific corrective actions without the ability to statistically sample grant programs. However, the Department has made a concerted effort to improve grants management that will help to prevent improper payments. The ETA (the agency administering all susceptible grant programs) issued an order on April 17, 2003 stating its commitment to "Protecting Federal taxpayers' investments from fraud, abuse, financial mismanagement and reducing erroneous payments…through improved processes throughout the grants cycle". Consequently, ETA has recently enhanced technology solutions and revised many of its business processes to better support proper stewardship of federal funds.

ETA currently has multiple technology projects underway in an effort to improve grants management. They include the web-based EIMS (Enterprise Information Management System), with its GEMS (Grants e-Management Solution) and EMILE (ETA Management Information and Longitudinal Evaluation) modules. EIMS is the Enterprise Information Management System, a web-based solution used to track and manage grants, including the capture of grant cost reporting meant to improve fiscal integrity. This system is meant to feed data into GEMS (Grants E-Management System) and the combination of the two will be part of the cradle-to-grave E-grants solution for all of DOL, expected to begin rollout in January of 2006. The GEMS system is an online grants management tool meant to provide web accessible, customizable, role based context access to grant related information from multiple sources.

ETA is also supporting these new technologies with revised business processes to enhance monitoring. Through its recently revised regional administration standards, 50% of all formula grants now require an onsite annual review and 30% of all discretionary grants require an annual onsite review. The grants selected for review are determined using the risk-ranking tool contained within the GEMS system and GEMS also captures the results. Additionally, a major effort to train Federal Project Officers and to increase field monitoring is underway.

IV. Improper Payment Reduction Outlook FY 2003 – FY 2007 (show $ in millions)

Improper Payment Estimates and Reduction Targets						
Program	**FY 04 Outlays**	**FY 04 IP %**	**FY 04 IP $**	**FY 05 IP %**	**FY 06 IP %**	**FY 07 IP %**
Unemployment Insurance (Annual Report Rate)	$37,335	9.70%	$3,622 overpayment	9.5%	9.3%	9.0%
Unemployment Insurance (Operational Rate)[33]	$37,335	5.07%	$1,893 overpayment	5.00%	4.75%	4.25%
Unemployment Insurance Underpayment Rate	$37,335	0.64%	$239 underpayment	0.64%	0.64%	0.64%
Federal Employees Compensation Act	$2,544	0.25%	$6.37 overpayment	0.250%	0.248%	0.244%

V. Recovery Auditing

The Department conducted an inventory of existing contracts and determined that the total contract values do not exceed the $500 million recovery auditing threshold established by Section 831 of the FY 2002 Defense Authorization Act. As such, the Department is not required to implement recovery auditing activities. The Department will continue to evaluate the use of recovery auditing techniques as appropriate.

VI. Management Accountability

In FY2004, the Department launched an initiative based upon the Sarbanes-Oxley Act and Circular A-123 to improve financial internal controls and increase the awareness and accountability of Agency management. These activities, while focused on improving financial management and internal controls, will also coordinate program agency efforts to achieve compliance with IPIA. This initiative establishes an integrity assistance organization and a financial management control group. Specifically, responsibilities will include reviewing internal controls, remediating audit findings and setting policies and procedures to continually improve the quality, timeliness and accuracy of financial information. These activities will establish the infrastructure needed to ensure accountability.

To further ensure accountability for achieving real reductions, the Department will also integrate IPIA efforts into the existing quarterly financial certification meetings with Agency heads. Furthermore, the Department will commence an IPIA working group to leverage successes and share best practices among program Agencies. The Department will continue to work diligently achieve tangible results articulated in the new IPIA section of the President's Management Agenda Scorecard. Collectively, these activities will ensure successful results.

VII. Information Systems and Infrastructure

Unemployment Insurance
ETA believes that in most cases the states have the information systems and infrastructure they need for improper payment reduction. States are implementing systems to exchange data with the Social Security Administration and interface with their State Directory of New Hires. Discussions are just beginning with the Department of

Health and Human Services regarding use of the National Directory of New Hires (NDNH). It is not clear at this time whether information system enhancements are needed to use the NDNH.

Federal Employees Compensation Act (FECA)
OWCP is currently developing an integrated management information and compensation benefit system that will enhance both compensation payment accuracy and medical bill processing accuracy. Deployment is planned for FY 2005. Resources are included in the FY 2005 budget request for this system.

Grant Programs
Many grant programs have not yet determined what specific information systems and other infrastructure might be needed, as the precise method by which the programs will respond to the demands of IPIA is not yet finalized. It may be that the most important systems and infrastructure are those that will capture data associated with the results of the single audits. The Department believes that additional funding to the current system that captures the results of the single audits, the Federal Audit Clearinghouse, would assist all Agencies in their efforts to meet IPIA requirements. The Department intends to gain additional information on these system needs for grant programs during FY05 through its grant pilot program.

VIII. Statutory or Regulatory Barriers

With regards to the FECA program, legislation does not currently permit FECA to verify employment earnings with the Social Security Administration (SSA) without the claimant's written permission. Compensation benefits may be overpaid if an employee has unreported earnings and does not grant permission for the program to verify earnings with SSA.

The UI program, as well, has several legislative barriers. Firstly, by statute, States administer UI program and set operational priorities; the Department has limited ability to ensure they pursue improper payment reduction activities. Sec. 3304(a) (3) of the Federal Unemployment Tax Act, which states that monies in the fund can only be used for benefit payments, may preclude the use of recovery auditing techniques. The "immediate deposit" requirement (Sec. 3304(a)(3) of the Federal Unemployment Tax Act (FUTA) and Sec 303(a)(4), SSA) and the "withdrawal standard" (Sec. 3304(a)(4), FUTA and Sec 303(a)(4), SSA) both affect recovery efforts. The immediate deposit requirement dictates that dollars for benefits must be paid immediately into the trust fund and the withdrawal standard says that money in the trust fund can only be used for benefits. There are certain exceptions to the immediate deposit requirement, but they do not apply to recouped benefit overpayments. These requirements preclude Unemployment Insurance from using funds recovered from overpayments to be used towards administrative or operational efforts to improve prevention, detection, and recovery efforts.

IX. Additional Comments

To achieve IPIA compliance for susceptible grant programs, the Department faces challenges similar to many other Agencies. In numerous instances, grants are structured to provide federal funds that empower local entities to operate programs based on local need. The Federal government provides the monies to states, cities, counties, private non-profits, and other organizations to distribute these federal funds; the Federal agencies capture information related to only the first level of grantee and rely on the Single Audit Act to monitor grantees. To investigate how the single audits might be used to meet IPIA compliance in FY04, the Department examined single audits with DOL-related findings from the Federal Audit Clearinghouse and the corresponding single audit reports returned to the Department as the cognizant agency responsible for resolving the identified findings. The Department's review of single audits indicated a low level of risk for susceptible grant programs. While the rigorous analysis of these sources offered insight into the relative risk of grant programs, none offered the detailed information necessary for statistical estimation. However, of the available data sources for IPIA statistical estimation, single audits offer the most efficient means to gather data from these recipients of federal funds. Using data from the single audit analysis, the Department has identified potential modifications to the Circular A-133 Compliance Supplement that may help Agencies to bridge the "gap" between the currently available data and the data required for IPIA compliance. Possible modifications for consideration are discussed below:

1. <u>CDFA sub-groups</u>: As some CFDA codes encompass multiple programs, Agencies should consider defining discrete tests and reporting requirements for each applicable program. This could be done by re-

structuring CFDA codes as needed, or by including more specific program tests for each program contained in a CFDA code to address IPIA needs.

2. Audit Thresholds:
   a. *Major Program Threshold:* Agencies may consider defining what constitutes a major program through the Compliance Supplement to provide needed program coverage. For example, Circular A-133, Subpart E—Auditors, provides several opportunities for Federal agencies to define major programs as needed for their oversight purposes. Agencies may want to consider submitting to OMB the requirement that all Section 57 programs, or all programs deemed high risk through the initial IPIA risk assessment, be included as major programs.

   b. *Finding Threshold:* Establish uniformity for IPIA related audit finding definitions to enable aggregation of said findings.

3. View of Sub-Grantees: Modifications to the A-133 reporting requirements should be considered to allow the cognizant agency access to all single audit reports (to the terminal dollar), conducted for a particular program, including those performed for its sub-grantees. This access may be best gained via the Federal Audit Clearinghouse; however, changes would have to be made to the data that are currently captured in order to provide the detail necessary for IPIA purposes.

4. Depth and Detail:
   a. *Depth of testing:* Compliance Supplements may require considerable more testing criteria to achieve IPIA compliance. The OMB Circular A-133 provides that Federal agencies must annually inform OMB of any updates needed to the Supplement. Consequently, OMB should encourage Agencies to define testing requirements, clear improper payment definitions, and minimum sample sizes through their program specific compliance supplements to ensure single audits achieve sufficient depth in analysis. Such modifications to testing criteria could be done multiple ways within the confines of the current provisions. Agencies could take advantage of the current compliance test "N-Special Tests and Provisions" and establish a comprehensive test to meet IPIA requirements, or they could consider utilizing current, more myopic compliance tests and modifying their structure to better meet IPIA needs. For example, changes to the five compliance tests with the greatest potential for IPIA relevance (e.g. "A-Activities Allowed or Unallowed" or "M-Subrecipient Monitoring") would be more constructive if redefined with IPIA specificity.

   b. *Detail of reporting:* Agencies and OMB should consider increasing the reporting requirements in the Compliance Supplement. For the statistical estimation of error rates required by IPIA, it is necessary to identify the entire universe tested (to establish the equation's denominator). Current requirements that *only* findings are reported means that agencies are unable to properly define the sampled population. Consider altering reporting requirements so that for all testing conducted (regardless of findings) specifics as sample size, total dollars tested, tests failed, dollars associated with failed tests, etc. are reported. This would include modifying data capture in the Federal Audit Clearinghouse to reflect the enhanced reporting requirements.

Additionally, it is imperative that the federal community work together to develop cost effective methods of data gathering. This is best accomplished by leveraging the current infrastructure when working to capture data needed to achieve IPIA compliance for grant programs. Should each agency individually attempt to gather information through a variety of means, grantees may face an undue administrative burden. As such, the Department believes that using the single audit process already in place is an approach that benefits much of the federal government. Moreover, the current method of single audit data submission, the Federal Audit Clearinghouse, should also be enhanced to assist agencies in meeting the challenges of grant programs. The Federal Audit Clearinghouse could be used to capture additional depth and detail that would further assist agencies in their efforts to statistically estimate improper payments.

4. Acronyms

ACSI American Customer Satisfaction Index
AJB America's Job Bank
ASP Office of the Assistant Secretary for Policy
ATUS American Time Use Survey
AWBA Average Weekly Benefit Amount

BAM Benefit Accuracy Measurement
BLS Bureau of Labor Statistics
BRG Business Relations Group

CAM Cost Analysis Manager
CATARS Capital Asset Tracking and Reporting System
CFO Chief Financial Officer
CO Compliance Officer
COOP Continuity of Operations Plan
CPI Consumer Price Index
CPS Current Population Survey
CY Calendar Year

DBA Davis-Bacon Act
DOD U.S. Department of Defense
DOE U.S. Department of Energy
DOEd U.S. Department of Education
DOJ U.S. Department of Justice
DOL U.S. Department of Labor
DOLAR$ Department of Labor Accounting and Related Systems
DOT U.S. Department of Transportation
DVOP Disabled Veterans' Outreach Program

EBSA Employee Benefits Security Administration
ECI Employment Cost Index
EEO Equal Employment Opportunity
EER Entered Employment Rate
EIMS Enterprise Information Management System
EMILE ETA Management Information and Longitudinal Evaluation
EO Equal Opportunity
ERISA Employee Retirement Income Security Act
ES U.S. Employment Service
ESA Employment Standards Administration
ETA Employment and Training Administration
EVMS Earned Value Management System

FAIR Federal Activities Inventory Reform
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
FUTA Federal Unemployment Tax Act
FY Fiscal Year

GAO U.S. Government Accountability Office
GISRA Government Information Security Reform Act
GMRA Government Management Reform Act
GPRA Government Performance and Results Act
GSA General Services Administration

HGJTI High Growth Job Training Initiative
HHS U.S. Department of Health and Human Services
HVRP Homeless Veterans' Reintegration Project

ILAB Bureau of International Labor Affairs
ILO International Labor Organization
IMIS Integrated Management Information System
IPEC International Program for the Elimination of Child Labor
IPIA Improper Payments Information Act
IRS Internal Revenue Service
IT Information Technology

JFMIP Joint Financial Management Improvement Program
JOLTS Job Openings and Labor Turnover Survey
JTPA Job Training Partnership Act

LMI Labor Market Information
LMRDA Labor-Management Reporting and Disclosure Act
LPD Lost Production Days
LVER Local Veterans' Employment Representative
LWDII Lost Workday Injury and Illness

MOU Memorandum of Understanding
MSHA Mine Safety and Health Administration
MSPA Migrant and Seasonal Agricultural Worker Protection Act

NAICS North American Industry Classification System
NFC National Finance Center
NIOSH National Institute for Occupational Safety and Health

OASAM Office of the Assistant Secretary for Administration and Management
OASP Office of the Assistant Secretary for Policy
OATELS Office of Apprenticeship Training, Employer and Labor Services
OCFO Office of the Chief Financial Officer
OCIA Office of Congressional and Intergovernmental Relations
OCIO Office of the Chief Information Officer
ODEP Office of Disability Employment Policy
OFCCP Office of Federal Contract Compliance Programs
OIG Office of Inspector General
OLMS Office of Labor-Management Standards
OMB Office of Management and Budget
OPA Office of Public Affairs
OPM Office of Personnel Management
OPR Office of Policy and Research
OSEC Office of the Secretary
OSHA Occupational Safety and Health Administration
OWCP Office of Workers' Compensation Programs

PART Program Assessment Rating Tool
PBGC Pension Benefit Guaranty Corporation
PBSC Performance Based Service Contracting
PMA President's Management Agenda
PPI Producer Price Index
PRM Periodic Roll Management
PY Program Year

QCM Quality Case Management

SESA State Employment Security Agencies
SHIMS Safety and Health Information System
SOL Office of the Solicitor
SSA Social Security Administration
SWA State Workforce Agencies

TAA Trade Adjustment Assistance
TAP Transition Assistance Program
TAPR Trade Adjustment Participant Report

UI Unemployment Insurance
USDA U.S. Department of Agriculture
USPS U.S. Postal Service
UTF Unemployment Trust Fund

VA U.S. Department of Veterans Affairs
VETS Veterans' Employment and Training Service
VPP Voluntary Protection Programs

WB Women's Bureau
WHD Wage and Hour Division
WHISARD Wage Hour Investigator Support and Reporting Database
WIA Workforce Investment Act

YOG Youth Opportunity Grants

5. Internet Links

The DOL home page is **www.dol.gov.** Some of the most interesting and frequently used sites are listed below:

Employment Information (For Workers and Employers)
America's Career InfoNet **http://www.acinet.org/acinet/**
America's Job Bank **http://www.ajb.dni.us/**
Occupational Outlook Handbook **http://www.bls.gov/oco/**
Job Corps **http://jobcorps.doleta.gov/**
Join the Team that Keeps America Working **http://www.dol.gov/oasam/doljobs/main.htm**
DisabilityInfo.gov **http://www.disabilityinfo.gov**
Job Accommodation Network (JAN) **http://www.jan.wvu.edu/**
Small Business and Self Employment Service (SBSES) **http://janweb.icdi.wvu.edu/sbses/**
Employer Assistance Referral Network (EARN) **http://www.earnworks.com**

Workplace Laws and Related Information
elaws Advisors (Employment Laws Assistance for Workers and Small businesses advisors) **http://www.dol.gov/elaws/**
State Labor Offices and State Laws **http://www.dol.gov/esa/programs/whd/state/state.htm**
Minimum Wage **http://www.dol.gov/esa/minwage/q-a.htm**
Fair Labor Standards Act **http://www.dol.gov/esa/regs/statutes/whd/allfair.htm**
Family & Medical Leave Act **http://www.dol.gov/esa/whd/fmla/**
Small Business Compliance Assistance **http://www.dol.gov/osbp/sbrefa/**

Statistical Information
Consumer Price Indexes **http://www.bls.gov/cpi/home.htm**
Bureau of Labor Statistics Most Requested Data **http://www.bls.gov/data/home.htm**
Current Population Survey **http://www.bls.gov/cps/home.htm**
Workplace Injury, Illness & Fatality Statistics **http://www.osha.gov/oshstats/work.html**
Employment Projections **http://www.bls.gov/emp**
International comparisons **http://www.bls.gov/fls/home.htm**
Employment, Hours, and Earnings **http://www.bls.gov/ces/home.htm**

Safety and Health Information
OSHA's Partnership Page **http://www.osha.gov/dcsp/partnerships/index.html**
The Workers' Page **http://www.osha.gov/as/opa/worker/index.html**
OSHA Regulations and Compliance Links **http://www.osha.gov/comp-links.html**
OSHA Standard Industrial Classification Search **http://www.osha.gov/oshstats/sicser.html**
OSHA Reading Room **http://www.osha.gov/readingroom.html**
MSHA's Accident Prevention Program **http://www.msha.gov/Accident_Prevention/appmain.htm**
Health Hazard Information (MSHA) **http://www.msha.gov/hhicm.htm**
To report a safety or health hazard to MSHA **http://www.msha.gov/codeaphone/codeaphonenew.htm**

Labor Department History
History at the Dept of Labor **http://www.dol.gov/asp/programs/history/main.htm**
Annals of the Dept of Labor **http://www.dol.gov/asp/programs/history/webannalspage.htm**

Labor Agencies
Bureau of Labor Statistics **http://www.bls.gov/**
Employee Benefits Security Administration **http://www.dol.gov/ebsa/**
Employment Standards Administration **http://www.dol.gov/esa/**
Employment and Training Administration **http://www.doleta.gov**
Mine Safety and Health Administration **http://www.msha.gov**
Occupational Safety and Health Administration **http://www.osha.gov/index.html**
Office of Disability Employment Policy (ODEP) **http://www.dol.gov/odep/**
Veterans' Employment and Training Service **http://www.dol.gov/vets/**
Women's Bureau – A Voice for Working Women **http://www.dol.gov/wb/**

WWW.DOL.GOV