

Management's Response to the Inspector General's Statement on the Top Management Challenges Facing the U.S. Department of Labor

December, 2003

Since the announcement of the President's Management Agenda in 2001, the Department continues to make solid progress in implementing its five Government-wide initiatives: *Strategic Management of Human Capital*, *Competitive Sourcing*, *Improved Financial Performance*, *Expanded Electronic Government*, and *Budget and Performance Integration*. DOL remains one of the leaders among Cabinet agencies — with status scores of *Yellow* for four of the five Government-wide initiatives, and progress scores of *Green* for the same four initiatives. Nonetheless, we recognize the areas needing improvement and have plans in place to achieve success.

The Department recognizes that the nine challenges posed by the Inspector General represent issues of major potential impact on the effectiveness and efficiency of DOL's programs and operations. The Department's responses identify extensive actions to address these challenges, which have been completed or are currently in progress. The Department anticipates that the results of initiatives to address several management challenges during FY 2003 and a reassessment of other challenges should enable the Inspector General to report even further progress next year.

Several of the challenges reference specific concerns reported in detail in Office of the Inspector General (OIG) audits issued over the past several years, and the management response summarizes corrective action plans taken or planned by the Department. We anticipate that the majority of these findings should be corrected within the next year. Other challenges require legislative action or necessitate that actions be taken jointly with non-DOL government agencies, as explained in management's response. The Department's responses to other challenges offer systematic performance data to provide readers comprehensive information about the overall effectiveness of a program or area of responsibility.

Where a sustained effort is required over several years to address an OIG management challenge that impacts a core program or management priority, performance goals and strategies are provided in either the Departmental or agency annual performance plans. For example, plans at the Departmental and agency level are in place to comprehensively address the human capital management challenges faced by the Department, as well as to improve the results of the job training programs identified in the Inspector General's statement. Finally, other issues raised in the management challenges, such as plans to improve data quality and achieve further integration of budget and performance, are discussed in detail in the Department's Annual Performance Plan.

Actions taken or planned by the Department to address each management challenge are discussed below.

Unemployment Insurance: Overpayments, Identity Theft Fraud, and Funding

Overpayments and the Benefit Accuracy Measurement (BAM) system. The Department is taking crucial steps to improve both the prevention and detection/recovery of overpayments. These steps include encouraging and funding states to use online Social Security Administration data on-line to prevent overpayments due to misused social security numbers, and conducting cross-matches of benefit payments against the New Hire database. In April 2003, the Employment and Training Administration (ETA) issued an Unemployment Insurance Program Letter on integrity analysis to provide states with guidance on the costs and benefits of alternative approaches to preventing, detecting and recovering overpayments.

Regarding overpayments and the BAM system, Office of Workforce Security (OWS) calculations suggest a significant savings, although more modest than the OIG's finding of \$428 million in savings. OWS estimates that States could save approximately \$100 million per year if all States would connect to the New Hire databases and follow up on new hires of the rate of two percent of claimants per year—the rate at which the most active states currently use the databases.

UI Trust Fund Solvency. The most recent data show that 21 states were minimally solvent as of December 31, 2002. States are considered minimally solvent when, at the beginning of a recession, they have enough funds on deposit to pay benefits at the rate paid out for the average of the three highest 12-month periods during the last 20 years or a period covering the three most recent recessions, whichever is longer. This is a marked improvement from previous years' data.

Integrity of Foreign Labor Certification Programs

Overall, DOL has taken positive steps to build and improve the systems used to identify fraud in the Foreign Labor Certification programs, in an effort to reduce the incidence of fraud and improve program effectiveness and integrity. To address the OIG's concerns about this issue, ETA has held several meetings with the OIG, the United States Citizenship and Immigration Services (CIS), and the Office of the US Attorney General, who provided ETA with suggestions of data and processes to include in the new and enhanced fraud detection system. Virtually all the recommendations were accepted and are being implemented within the new Program Electronic Review Management system.

The OIG also expressed concerns over the H-1B program and H-2B Temporary Nonagricultural program. For the H-1B program, OIG noted that because the Department does not have the authority to validate information on H-1B applications, DOL's role in the program does little to add value to the process of protecting American jobs and wages. However, as the Immigration and Nationality Act specifically states: "The Secretary of Labor shall review such an application only for completeness and obvious inaccuracies." The OIG's recommendations would require legislation changes and, accordingly, will be a matter of future policy discussions.

For the H-2B Temporary Nonagricultural Program, ETA has been working closely with CIS to determine why CIS has granted visas to foreign workers despite an application rejection by DOL. Better instructions are being provided to regional alien labor certifi-

cation staff on ways to reduce the number of overturns by CIS and improve the consistency of decisions made between CIS and DOL.

Financial and Performance Accountability

Financial Accounting. The Office of the Chief Financial Officer (OCFO) is pursuing an efficient and integrated approach that builds on government, industry, and project management best practices for acquiring a commercial off-the-shelf financial management package and the system integration expertise necessary for implementation. This approach will use a performance-based acquisition strategy based on effective planning and requirements-gathering consistent with DOL information technology policy and system development life-cycle guidance. OCFO plans to manage the DOLARS Replacement Project using critical components of earned-value management methods for program planning, reporting, and management. OCFO has also developed appropriate planning documents, emphasizing different aspects of the effort, to ensure that the acquisition and implementation of a modern financial management system is cost-effective, efficient, and meets DOL business, technical, and compliance needs.

Managerial Cost Accounting. The Department supports the use of managerial cost accounting (MCA) for results-oriented decision-making and measurement of program economy and effectiveness. Since March 2003, DOL has made significant progress in its ongoing initiative to enhance the Department's managerial cost accounting capability. DOL seeks to enhance MCA through a program entitled Cost Analysis Manager (CAM), and to deliver value-added cost information throughout DOL to support program evaluation, decision-making, cost effectiveness in the delivery of programs, and attainment of strategic goals. To this end, OCFO formed a CAM Project Management Office and developed a Plan of Action to complete CAM implementation by July 2004.

DOL is currently implementing the roadmap defined in the Plan of Action, fully supported by senior executive management, to develop cost information that supports key business requirements of Agency Heads and senior management, operational needs of program managers, and financial reporting needs. Key progress to date includes:

- Acceptance of Plan of Action by Agency Heads and the Deputy Secretary
- Development and delivery of CAM training to 130 DOL finance and program managers
- Commencement of MCA implementation for large major agencies, including ESA, ETA, MSHA, OSHA and EBSA
- Identification and utilization of existing cost information and costing processes, including MCA pilots, information contained in the Department's core accounting system, subsidiary ledgers, and the Statement of Net Cost
- Definition of significant outputs (i.e., products and services) to define the major programs of the five agencies listed above
- Linking costs to these agencies' programs and to the defined outputs

Quality Performance Data. As OIG notes, ETA has launched a data validation initiative to ensure the accuracy of performance data and other program information collected

and reported from states and grantees. Data validation for the Unemployment Insurance (UI) program was implemented in July 2003 for the UI quarterly reports. States submitted validation summary reports in September 2003.

ETA is currently implementing a data validation requirement for six employment and training programs. ETA released guidance in August 2003, establishing the Agency's data validation policy and implementation timeframes. States received training on data validation during the summer of 2003. States will submit validation summary reports in April 2004 for the PY 2002 Workforce Investment Act annual report, FY 2003 Trade Act Participant Record records for the Trade Adjustment Assistance program, and ETA 9002 and VETS 200 reports covering four quarters of the Labor Exchange program. Additional training for National Program grantees will be held during the winter and spring of 2004, and they will begin the validation process by the end of CY 2004.

Single Audit. The Department shares the OIG's concerns about the adequacy of Single Audit Act (SAA) audit coverage of its programs. In our oversight and monitoring activities, we will continue to strive to ensure that covered recipients and sub-recipients have required audits performed, that audits are appropriately resolved, and that audit results are used to improve program performance.

Additionally, in FY 2004 and beyond, the Department will establish quality controls more proactively through implementation of the provisions of the Improper Payments Information Act of 2002. For every program/activity with significant erroneous payments, the Department will construct a statistically-valid methodology and program design to estimate the annual amount of erroneous payments, analyze causes of errors, and ensure progress in reducing erroneous payments. These actions will allow the Department to more effectively target payment errors. DOL will also conduct periodic program reviews to improve internal controls and train staff to provide guidance on maintaining these controls over the long term.

Internal Controls on the Federal Employee's Compensation Act Program. As noted by the OIG, this issue relates to procedures OWCP has in place to ensure that current medical evidence is present in each long-term disability file. Of the errors identified by OIG, 60 percent occurred in one office. OWCP had identified failure to comply with this procedure through its own internal accountability reviews, and has already initiated corrective action. FECA management is taking concrete steps to ensure staff are following procedures and is developing an electronic tracking system to assist them in doing so

Information Technology and Electronic Government

Computer Systems Security. Given the expanding electronic government environment, coupled with the emergence and proliferation of web-based technologies, the Department recognizes a critical need to emphasize the delivery of its Cyber Security Program. Integral to this, as well as the efficiency and effectiveness of DOL as a whole, is the importance of implementing systems which deliver quality services to the public while at the same time lowering overall life cycle and program costs.

Information Systems Planning and Implementation. DOL's Office of Chief Information Officer (OCIO) is implementing a comprehensive project management structure that employs a rigorous system developmental life-cycle management process that includes appropriate checks and balances to ensure projects are being executed according to plan, performance, and budget. This is accomplished through systematic reviews of efforts in accordance with the Capital Planning, Investment, and Control Process. These quarterly reviews allow the OCIO to ensure that agencies' projects are properly aligned with DOL's business objectives, Cyber Security Program, and Enterprise Architecture.

The overall CIO Information Technology (IT) management structure has been strengthened with the recent hiring of an additional senior executive IT manager, who along with the Deputy CIO, will oversee IT system management, development of IT projects, and ongoing IT systems operations. DOL is taking steps to hire qualified and experienced project management staff and to provide project management training for the existing CIO staff. A Contracting Officers Technical Representative (COTR) training class was also provided to the entire senior staff of both the OCIO Programs and the Information Technology Center.

DOL Security Efforts. DOL has made significant strides in the effectiveness of its Cyber Security Program, resulting in the proactive use of program management tools such as Plans of Action and Milestones, and an enhanced risk assessment methodology that includes both qualitative and quantitative risk evaluations. DOL also implemented a web-based computer security awareness and training program that provides consistent and convenient access to security training and on-line completion of status reports. The number of employees and contractors who have successfully completed this training increased from 93 percent in FY 02 to 97 percent in FY 03.

DOL's continued emphasis on program integration has led to a revised System Development Lifecycle Manual that corresponds with the DOL Computer Security Handbook and the Cyber Security Program Plan. In collaboration with the IT Security Officer's Working Group, DOL has established a forum for sharing best practices and increasing managerial involvement in information security issues. This collaborative effort has resulted in 58 percent of DOL's sensitive systems achieving Authority to Operate (ATO), an increase of 17 percent over FY 02. This increase is significant because the number of systems requiring ATO increased from 46 in FY 02 to 81 in FY 03. DOL is committed to achieving its goal of having all 81 systems achieve ATO by July 2004.

While DOL has made significant strides in the effectiveness of its Cyber Security Program Plan, it acknowledges that opportunity for program improvement still exists. Most DOL systems have contingency plans in place; however, adequate testing has not yet been implemented. Although 42 percent of DOL systems have Interim Authority to Operate, the majority of these systems only require systems testing and evaluation to achieve full ATO. DOL has implemented a project management strategy to ensure a high degree of involvement in agency security programs and to cultivate a robust Cyber Security Program.

Security of Pension Assets

Safeguards to Protect Pension Assets. Between 1991 and 1997, the Department submitted legislative proposals calling for the repeal of the limited-scope audit provision and for reforms to strengthen plan audits. DOL also proposed legislative changes that would require the direct reporting of certain criminal violations relating to employee benefit plans. Despite DOL's continued efforts, neither the House nor the Senate reported legislation out of committee.

The Department continues to take steps to improve the audit process established by the Employee Retirement Income Security Act (ERISA) of 1974. In February 2003, the Department's Employee Benefit Security Administration (EBSA) initiated its second nationwide review to assess the quality of employee benefit plan audits. This study involves a statistical sample of 300 plan audits to assess compliance with professional accounting and auditing standards, and should be completed in early 2004.

Ongoing DOL program initiatives include cooperative efforts with the accounting profession. EBSA will be coordinating closely with the Public Company Accounting Oversight Board (created by the Sarbanes – Oxley Act) and will continue its active involvement with the American Institute of Certified Public Accountants and the Financial Accounting Standards Board (FASB) to develop accounting guidance for employee benefit plans and additional technical materials for CPAs to use in conducting audits of employee benefit plans.

Pension Plan Enforcement. DOL recognizes that pension funds represent a target for individuals with criminal intent and has responded with a strong enforcement program. EBSA's enforcement mission is to deter and correct violations of Title I of ERISA and related criminal statutes through the use of civil and criminal investigations of plans, plan sponsors, fiduciaries, and service providers. EBSA's criminal investigations during FY 2003 resulted in 137 indictments, convictions or pleas entered in 57 different EBSA cases, and recovery of over \$5.8 million on behalf of employee benefit plans or their participants and beneficiaries. EBSA also closed 4,253 civil investigations, 69 percent of which were closed with results. During this period, EBSA civil enforcement investigations had monetary results of over \$1 billion.

EBSA will continue targeting criminal cases using successful means such as analyzing computer data, gathering information through civil investigations, leads from plan participants, plan officials, informants, and media sources, and information gained from other government agencies. DOL also maintains close working relationships with other law enforcement agencies such as the U.S. Attorneys, the FBI, the Postal Inspectors, and OIG. DOL is also proactively promoting early detection and prevention of criminal behavior through aggressive compliance assistance, outreach and education campaigns that create knowledgeable consumers who can assist in "policing" their own benefit plans.

EBSA has had a national enforcement project since 1995 focusing on the failure of employers to timely remit employee contributions to 401(k) plans. Since the beginning of the project through September 30, 2003, EBSA has opened over 9,200 civil investigations and closed almost 8,000 civil investigations (5,500 with violations and monetary

results). Also, 209 criminal cases have been opened. These cases have so far resulted in the criminal prosecution of 124 persons and monetary returns of over \$305 million nationwide have been achieved by EBSA

DOL's announcement of a final Voluntary Fiduciary Correction Program (VFCP) enables 401(k) plan sponsors to self-correct delinquent participant contributions by restoring losses, including earnings, to plans. DOL received 240 VFCP applications during FY 2003 and had monetary results of approximately \$8.7 million.

Workforce Investment Act Reauthorization

Increase Training Provider Participation. Several provisions in the Workforce Investment Act (WIA) reauthorization bills before the Congress (House-passed H.R. 1261 and Senate-passed S. 1627) should help increase training provider participation, including requirements relating to the certification of eligible providers of training services. States would be given the authority to determine what provider information and data will be required to establish a list of eligible training providers. There would be no federal requirement to report performance outcomes for all students in a training program rather than just WIA-funded students. States would have the flexibility to design procedures that respond to their state's needs. To ensure the quality of providers, States would have to establish criteria including the performance of providers with respect to WIA's performance indicators.

Second, WIA would be amended to address issues regarding current law requirements for a "sequencing of services" – that is, how a participant moves from core to intensive to training services. States and local areas would be given additional flexibility to determine whether core or intensive services alone are sufficient for the participant to obtain employment, or whether training services would also be necessary.

Third, the concept of Individual Training Account would be broadened to "Career Scholarship Account" and local areas would have the flexibility to combine other training resources with WIA funds in these accounts. This would facilitate training acquisition and maximize the number of participants that can be assisted through training.

Regarding OIG's recommendation that ETA encourage states to periodically review training courses to ensure fee and time restrictions do not lower program quality, ETA agrees that States should take appropriate steps to ensure that training provided is of high quality. Although there are no federal requirements relating to fee and time restrictions for training courses, ETA believes that States need to identify factors affecting quality of training programs and develop appropriate policies, accordingly. This would be part of an increase in State responsibility under revised eligible training provider provisions in a reauthorized WIA. ETA has particularly encouraged an emphasis on outcomes achieved by providers, but additional features, including those noted by the OIG, may also be relevant. ETA will encourage sharing of information and practices among States to assist in the development of appropriate training program policies.

Improve Dislocated Worker Program Services and Outcomes. The Department's approach for improvement of the Dislocated Worker program reflects the broad principles of OIG's recommendations. A feature of the proposed WIA reauthorization is con-

consolidation of funding streams for the WIA Dislocated Worker, Adult, and Employment Service funding streams into a single formula grant, designed to streamline state and local program administration. Until the WIA reauthorization is complete, DOL contends that policy changes to eligibility requirements for the Dislocated Worker program are inappropriate, and should be issued after final legislation is enacted. Through the implementation of common measures for federal employment and training programs, DOL will capture more comprehensive information on program participants, and improve delivery of services in ways that encourage program participants' prompt return to the workforce.

The common measures will require state and local areas to provide participants meaningful, reportable service, or terminate participation if no service is provided within 90 days. This uniform strategy provides a clear statement of ETA policy, and encourages provision of services associated with quick re-entry to employment for dislocated workers. The Department is also developing a new reporting and information collection system that will more comprehensively and meaningfully demonstrate workforce system results. ETA's data validation initiative will also ensure the accuracy of performance data reported by states and grantees.

Youth Program Improvements. ETA continues to focus on the OIG's key issue that programs be accurately evaluated. DOL is currently revising a comprehensive case management manual developed in October 2002, and will distribute the document to all youth workforce investment areas in FY 2004. ETA is also implementing a data validation project that addresses required documentation needed to substantiate reported performance outcomes.

DOL does not concur with the OIG recommendation to encourage revisions to WIA, such as allowing summer employment as a stand-alone activity for particular participants, because this is contrary to the original legislative intent to improve youth programs under WIA. The WIA legislation moved youth programming towards a comprehensive youth development approach centered on a broad range of coordinated services embodied in the ten required program elements. In its guidance to the workforce investment system, DOL has continuously encouraged states and local areas to integrate summer employment opportunities with other program elements in a comprehensive strategy to address youth employment and training needs. DOL believes the workforce investment system has continued to focus on summer jobs programs because of the relative ease of serving in-school youth. Although this practice continues, DOL contends that the legislation should reinforce the original legislative direction, rather than retreating from the practice.

State and Local Reporting of WIA Obligations. The Department agrees with the OIG's assertion that clarification of obligations and expenditures and mandating timely, accurate reporting are critical factors in WIA reauthorization. The OIG suggests that obligations are the more useful measure for assessing states' current WIA funding availability, and the General Accounting Office (GAO) recommends that DOL require States to report obligations made at the point of service delivery. However, as noted in DOL's response to the GAO report, the Department is concerned that it would be burdensome and expensive to implement reporting of obligations at the point of service delivery

nationwide. Accordingly, DOL supports the WIA reauthorization proposals that would require states to make financial reports on the basis of expenditures, and would allow DOL to recapture unexpended funds in each program in states and local areas in excess of 30 percent of total funds available during a program year.

In conjunction with issuing revised instructions that clarified WIA financial reporting requirements, DOL is providing on-going training about timely reporting of expenditures and accurate reporting of obligations. DOL is also developing an introductory course on financial management and reporting that focuses on application of accounting requirements and concepts, such as proper accrual of costs at the end of a reporting period, and commitment and obligation of funds. Through guidance, training, and technical assistance, DOL continues to make accounting of WIA funds a priority.

Grant Accountability, Performance and Effectiveness

Implementation of policies contained in the Employment and Training Order No. 1-03 issued in April 2003 is a priority for ETA. The order was designed to update ETA policy and clarify roles and responsibilities for grant administration to improve accountability, compliance, and performance from services delivered by ETA grantees. ETA recently introduced the Grants e-management System (GEMS) and will deploy the system Department-wide. GEMS assists Federal Project Officers to manage daily grants management workload and to track activities throughout the life cycle of each grant. The system provides automated tools for grant monitoring activities including pre-award assistance, tracking and submitting grant modification requests, performing desk reviews, conducting monitoring visits and generating reports, and performing risk assessments at several phases of a grant's life cycle.

Additionally, DOL has developed a standardized risk assessment for use in overseeing ETA-administered grants. This assessment will be used to assign a risk level for each grant, to identify "at risk" grants, and to assist in prioritization of oversight activities over the coming quarter. ETA is also redesigning its Grants Tracking System (GTS) to tie into GEMS, which will support improved grants tracking, as well as the management and processing of procurement action requests.

Effectiveness of Mine Safety and Health Programs

Working together with mine operators and miners, the Mine Safety and Health Administration (MSHA) is facilitating cultural change in the mining community so that safety is embraced as a value. As a result, for all of FY 2003, mining fatality and injury rates declined to record lows. MSHA has also successfully implemented OIG's recommendations to better integrate our enforcement and compliance assistance activities, standardize complaint-handling procedures, and promote Personal Protective Equipment use by miners. Specifically, MSHA has:

- Tested and deployed a Nationwide hazard complaint analysis system, conducted training, and implemented revised Hazard Complaint Procedures Handbook procedures (effective in November of 2002).

- Rolled out an extensive educational and behaviorally-based campaign conducted with NIOSH to increase personal protective equipment among miners, running through December 2005.
- Conducted detailed analysis of trends in injuries and fatalities so that compliance assistance can be targeted more effectively and problem areas addressed more proactively.

MSHA also intends to issue a proposed rule by May 2004 on “Measuring and Controlling Asbestos Exposure,” which will address lowering the Permissible Exposure Limit for asbestos to a more protective level. Currently, MSHA is assessing the best means to address the issues of fiber sample analysis and take-home asbestos contamination.

Addressing Issues That Require Joint Action with Other Federal Entities

IRS Overcharges to the UI Trust Fund. On August 19, 2003, ETA advised the OIG that it has conducted negotiations with the IRS. The IRS has begun to develop a new financial accounting system that includes a module that uses a different methodology for allocating its program-related costs to appropriate trust funds. ETA will assess the acceptability of this methodology as it develops. To date, IRS has described how they are addressing the problem and another meeting is pending in December to specify more of these approaches.

ETA’s target to execute a Memorandum of Agreement with the IRS for ensuring consistent application of the new cost-allocation methodology is January 9, 2004; accordingly, the earliest date for a final response to this challenge is January 30, 2004. IRS intends to use the methodology to determine past overcharges and amounts to be reimbursed to the UI trust fund. ETA will be involved in that process.

Cash Balance Pension Plans. The Department’s regulatory and enforcement authority in this area is limited, since DOL cannot take any enforcement action or begin working with IRS on additional guidance until IRS determines whether there were violations of Internal Revenue Code and ERISA. Consequently, DOL forwarded a copy of the OIG report and supporting work papers to the IRS for its review and comments, and is currently awaiting IRS’ response. DOL will provide assistance in developing new guidance if IRS determines this action is warranted.

Black Lung Disability Trust Fund Indebtedness. This issue can only be resolved by legislative action. Progress is anticipated shortly on proposed legislation being advanced as part of the President’s 2004 budget. The proposed legislation would restructure the existing indebtedness and extend the current excise tax rates until the debt is repaid.

Human Capital Management. The Department takes seriously the challenge to maintain a high-performing organization, and has implemented new flexibilities available through the Office of Personnel Management (OPM) to attract and retain talented people, including:

- **Succession Planning.** DOL has successfully implemented an SES Candidate Program (27 participants), and the Mid-Level Management Development Program (40 participants), two programs to insure a sufficient number of

leaders are available to meet future DOL needs. DOL has also launched a mentoring program for mid-level employees to develop new leaders, with 118 mentoring pairs participating in FY 2003. DOL recently received an Impact award from the International Personnel Management Association recognizing these succession-planning efforts.

- **Hiring and Pay Flexibilities.** DOL has aggressively implemented new hiring flexibilities made available by OPM, particularly making extensive use of the Career Intern Program to appoint 64 employees in FY 2003. This authority also allowed DOL to launch an initiative to address a gap in business skills, such that DOL hired 30 MBA Fellows currently rotating through various DOL agencies.

DOL also continues to use pay flexibilities to recruit and retain high performing employees, with over 120 recruitment bonuses, 15 retention allowances, and 9 relocation bonuses awarded in FY 2003. DOL also began utilizing the Student Loan Repayment Program in FY 2003, and hired 76 students under the Student Career Experience Program.

- **Competency Models.** In FY 2003, DOL developed competency models for all mission-critical occupations that contain the general and technical competencies required at various proficiency levels (entry, journey, senior and expert). These competency models identify and define competencies and set benchmarks (standards by which work is measured at each proficiency level), selection indicators, and developmental indicators for each competency.
- **Performance Management.** To ensure a results-oriented and high-performing workforce, DOL has placed all managers on performance plans encompassing basic management competencies and performance goals tied to DOL's organizational goals. DOL has also aligned all employees' performance rating cycles to coincide with the fiscal year, so performance goals from strategic and annual performance plans will filter down to all employees. DOL is also increasing the size of award pools so performance awards are more meaningful to employees.

Strategic Planning. DOL has submitted a management cross-cut of \$2.6 million in FY 2003 to fund key human capital initiatives. In an effort to tie together human capital initiatives, DOL has just completed development of a comprehensive Human Capital Strategic Plan for FY 2003 through FY 2008. This plan summarizes the current assessment of our workforce, provides projections regarding retirement and turnover, and focuses on major strategic initiatives to accomplish the President's Management Agenda goals.

- **New Flexibilities Under the Homeland Security Act.** Currently, DOL is reviewing new HR flexibilities provided under the Homeland Security Act,

and will work with OPM to implement these new authorities. Government-wide succession planning efforts currently under consideration, include:

- Studying whether category rating is an appropriate alternative to numerical scores to rank applicants on competitive certificates.
- Reviewing the direct hiring authority process to hire qualified applicants without competition.
- Submitting a Departmental request to OPM for use of voluntary early retirement authority (VERA) in FY 2004.