UNITED STATES DEPARTMENT OF LABOR

Agency Financial Report

FISCAL YEAR 2015

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Message from the Secretary of Labor

Thomas E. Perez
U.S. Secretary of Labor

The Department of Labor's Mission:

"To foster, promote, and develop the welfare of the wage earners, job seekers, and retirees of the United States; improve working conditions; advance opportunities for profitable employment; and assure work-related benefits and rights."

The Department of Labor's Strategic Goals:

1: Prepare workers for better jobs.
2: Improve workplace safety and health.
3: Promote fair and high-quality work environments.
4: Secure retirement, health, and other employee benefits and, for those not working, provide income security.
5: Produce timely and accurate data on the economic conditions of workers and their families.

I like to call the Department of Labor the "department of opportunity." Now in our second century, we continue to empower workers and their families, expanding opportunity for all and building a stronger America through shared prosperity. That work continued in 2015: implementing the Workforce Innovation and Opportunity Act to help more people get the tools to succeed in 21st century careers; investing in training programs like apprenticeships that allow more people to punch their ticket to the middle class; proposing a new overtime rule that would help some 5 million working people get a fair day's pay for an honest day's work; continuing efforts to enhance retirement security with a new proposal to protect consumers from conflicted investment advice; and so much more.

To learn more about our agenda and everything we're doing to execute it, I encourage you to visit DOL.gov and read our Fiscal Year (FY) 2014-18 Strategic Plan. The Strategic Plan provides a five-year outline of the specific, measurable and strategic outcomes and goals toward which we are working.

We will reach those goals, however, only if we deploy our resources smartly and strategically. That is why I am pleased to present the U.S. Department of Labor's FY 2015 Agency Financial Report (AFR). This is our annual publication to Congress and the people demonstrating our operational record and financial stewardship of public funds. The report explains how we spend our budget dollars, highlighting both our key accomplishments and our plans for the future. It is with tremendous pride that I report that an independent audit of our financial statements has once again resulted in an unmodified "clean" opinion.

I am also pleased to report that the Department can offer a statement of reasonable assurance that the financial and performance data in this report are reliable and complete per Office of Management and Budget (OMB) guidance. Our assessment of internal controls and compliance of our financial management systems is outlined in the *Management Assurances* in the *Management's Discussion and Analysis* section of this report.

In addition to transparency tools like this financial report, we analyze our programs to determine whether we are providing taxpayers with the best possible return on their investment. We have a strong and ambitious evaluation agenda, allowing us to assess the impact of our programs on the lives of workers and their families. By measuring these results, we can strengthen those initiatives that work and change the ones that don't. For more about our overview of performance, turn to the *Program Performance Overview* part of the *Management Discussion and Analysis* section of this AFR. For in-depth performance information, please see the Department's Annual Performance Report and Budget on our website.

I have tremendous optimism about the Department's work. Our programs are strong. Our people are enormously capable and believe in being accountable to the workers and communities they serve. And our financial integrity lends our work credibility at a time of tight budgets and scarce public resources. I am proud of everything we have been able to achieve on behalf of workers, and I look forward to even greater progress in the coming years.

THOMAS E. PEREZ
U.S. Secretary of Labor
November 19, 2015

Leading up to National Miners Day, Labor Secretary Thomas Perez and Assistant Secretary for Mine Safety and Health Administration Joe Main spent time with working miners at the Alpha Natural Resources-owned Cumberland coal mine in Greene, Pennsylvania.

Management's Discussion and Analysis

The Department of Labor's (DOL or the Department) annual Agency Financial Report (AFR) provides fiscal data and summary performance results that enable the President, Congress, and American people to assess the Department's accomplishments for each fiscal year (October 1 through September 30). This report provides an overview of programs, accomplishments, challenges, and management's accountability for the resources entrusted to the Department. The report is prepared in accordance with the requirements of Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*.

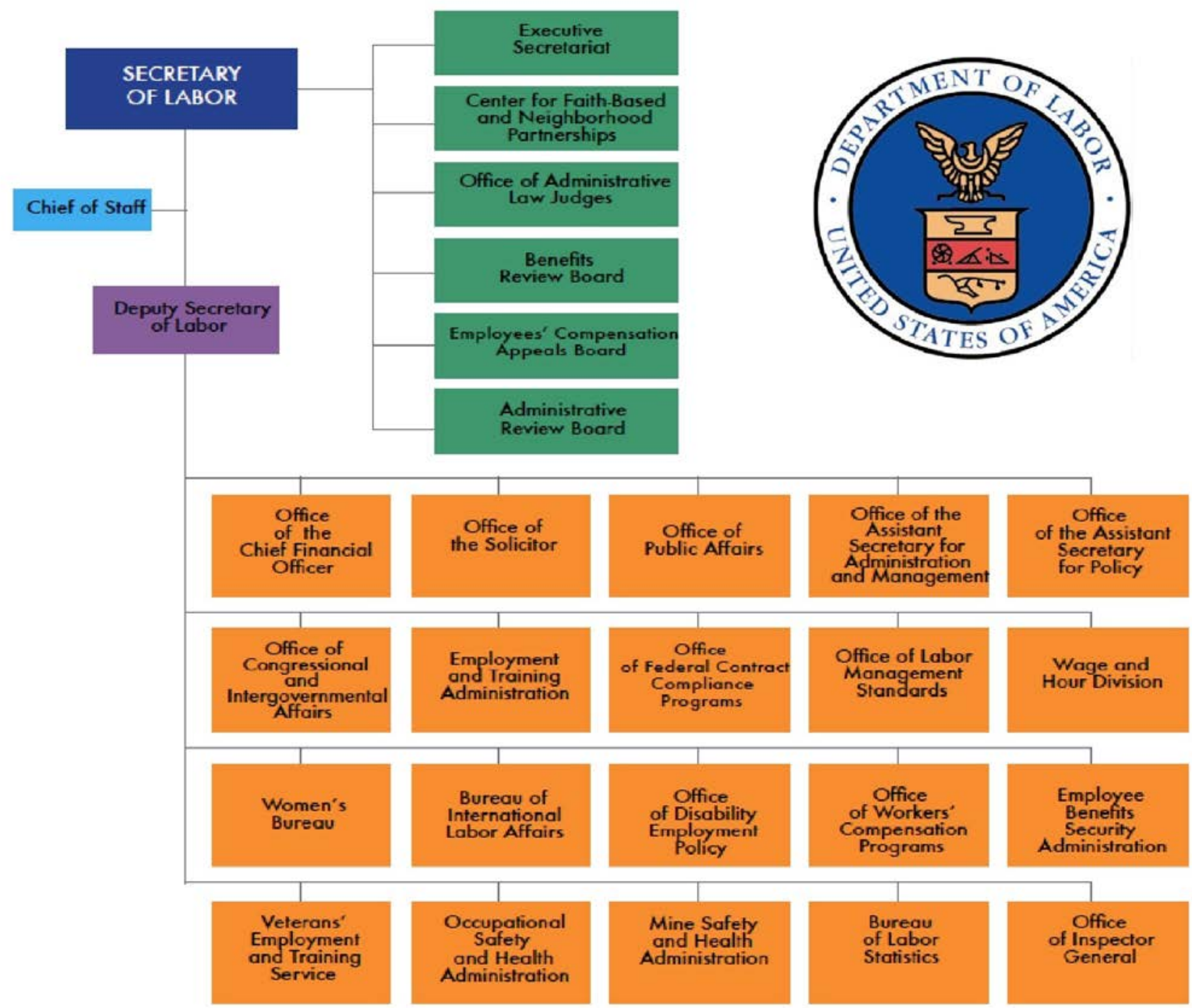
Mission Statement and Organizational Structure

DOL's mission remains as relevant today as at the Department's founding in 1913:

> "*To foster, promote and develop the welfare of the job seekers, wage earners and retirees of the United States; improve working conditions; advance opportunities for profitable employment; and assure work related benefits and rights*."

The Department accomplishes this mission through component agencies and offices that administer various statutes and programs. These programs are carried out through a network of regional offices and smaller field, district, and area offices, as well as through grantees and contractors.

US Department of Labor Organizational Chart



Certificate of Excellence in Accountability Reporting

In May 2015, DOL received the Certificate of Excellence in Accountability Reporting (CEAR) from the Association of Government Accountants (AGA) for its FY 2014 Agency Financial Report. The CEAR Program was established by the AGA, in conjunction with the Chief Financial Officers Council, to further performance and accountability reporting. Receiving the CEAR Award represents a significant accomplishment for a federal agency. FY 2014 reporting marked the 14th year the Department received this award.

U.S. Department of Labor Headquarters: Frances Perkins Building

DOL Headquarters, Frances Perkins Building
Washington, D.C., USA

Program Performance Overview

The Program Performance Overview presents the Department's performance goals, objectives and results. It discusses key performance measures and program priorities. This section includes results for measures related to spending as reported in the following Financial Section. Performance results for outcome measures reported under the Government Performance and Results Act are included in the *Annual Performance Report*, which will be published in February 2016 with the FY 2017 Congressional Budget Justification. A third report, the *Summary of Performance and Financial Information for Fiscal Year 2015*, will be available on February 16, 2016. All three reports will be posted at http://www.dol.gov/dol/aboutdol/#budget.

The Department's current five-year Strategic Plan - http://www.dol.gov/_sec/stratplan/ includes five Strategic Goals and 10 Strategic Objectives that support the Secretary's vision of *promoting and protecting opportunity* for all workers and employers. These goals are presented in the following table:

STRATEGIC GOAL 1: Prepare workers for better jobs.
1.1. Advance employment opportunities for US workers in the 21st century demand sectors and occupations using proven training models through increased employer engagement and partnerships. 1.2. Provide marketable skills and knowledge to increase workers' incomes and help them overcome barriers to the middle class through partnerships among business, education, labor, community organizations, and the workforce system. 1.3. Advance workers' rights, acceptable work conditions, and livelihoods, particularly for the world's vulnerable populations.
STRATEGIC GOAL 2: Improve workplace safety and health.
2.1. Secure safe and healthy workplaces, particularly in high-risk industries.
STRATEGIC GOAL 3: Promote fair and high-quality work environments.
3.1. Break down barriers to fair and diverse work-places and narrow wage and income inequality. 3.2. Protect workers' rights. 3.3. Secure wages and overtime.
STRATEGIC GOAL 4: Secure retirement, health, and other employee benefits and, for those not working, provide income security.
4.1. Provide income support when work is impossible or unavailable and facilitate return to work. 4.2. Improve health benefits and retirement security for all workers.
STRATEGIC GOAL 5: Produce timely and accurate data on the economic conditions of workers and their families.
5.1. Provide sound and impartial information on labor market activity, working conditions and price changes in the economy for decision making, including support for the formulation of economic and social policy affecting virtually all Americans.

The goal structure incorporates the Department's commitment to measuring results that positively impact the day-to-day lives of working families. Reporting performance for these measures allows the public and the Department to track progress in implementation of the strategic goals and objectives.

The program performance overview organizes DOL program agencies into five categories that report FY 2015 performance data. The Department's mission is also supported by administrative, policy, legal, public affairs, and Congressional liaison offices.

Employment and Training
Employment and Training Administration (ETA) Veterans' Employment and Training Service (VETS)
Worker Protection
Office of Federal Contract Compliance Programs (OFCCP) Occupational Safety and Health Administration (OSHA) Wage and Hour Division (WHD) Employee Benefits Security Administration (EBSA) Mine Safety and Health Administration (MSHA) Office of Labor-Management Standards (OLMS)
Policy
Women's Bureau (WB) Office of Disability Employment Policy (ODEP) Bureau of International Labor Affairs (ILAB)
Benefits
Office of Workers' Compensation Programs (OWCP) Federal-State Unemployment Insurance (UI) Program (administered by ETA)
Statistics
Bureau of Labor Statistics (BLS)

The following section presents a brief description of the programs administered by each agency, the most recent results for key performance measures, and a brief statement of forward-looking information. The Department tracks performance through over 400 output and outcome measures. The selected measures below are most representative of agency activities.

EMPLOYMENT & TRAINING

Employment and Training Administration (ETA)

ETA provides employment assistance, labor market information, and job training through the administration of programs authorized by the Workforce Investment and Opportunity Act (WIOA) for adults, youth, dislocated workers, and other targeted populations. ETA administers Job Corps; Trade Adjustment Assistance (TAA); Employment Services (ES), authorized under the Wagner-Peyser Act; Foreign Labor Certification activities; the Community Service Employment for Older Americans program (CSEOA); and Apprenticeship programs. These programs support the Department's Strategic Goal 1, *Prepare workers for better jobs* and the associated Strategic Objectives 1.1, *Advance employment opportunities for US workers in the 21st century demand sectors and occupations using proven training models through increased employer engagement and partnerships*, and 1.2, *Provide marketable skills and knowledge to increase workers' incomes and help them overcome barriers to the middle class through partnerships among business, education, labor, community organizations, and the workforce system*. ETA also supports the Department's Strategic goal *3, Promote fair and high-quality work environments* and the associated Strategic Objective 3.3, *Secure wages and overtime*.

Percent of Grant Reports Issued by Regional Offices – The ETA Regional Offices monitor grants to ensure compliance with Federal statutes and regulations and assess performance progress through enhanced desk monitoring reviews and on-site monitoring reviews. ETA's strategy is to monitor 100% of all grants within a four year period, attempting to monitor each and every grant at least once during the 3-4 year life of a grant. In FY 2015, ETA Regional Offices monitored 29.49% of all active grants assigned to the regions, compared to 28.45% in FY2014, 32.48% in FY 2013 and 25.00% in FY 2012.

Strategic Goal 1: Prepare workers for better jobs						
Measure	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Percent of Grant Monitoring Reports Issued by Regional Offices	--	--	25.00%	32.48%	28.45%	29.49%

Looking Forward: In FY 2016, ETA will continue to monitor 26% of all active grants; as of October 1, 2015, ETA has a portfolio of 2,486 active grants. In accordance with the priority DOL places on industry-recognized credentials, ETA continues to focus on increasing the percentage of training program completers who attain industry-recognized credentials by 10% by September 30, 2017. In addition to the credential goal, ETA announced a new priority goal to double the number of apprentices in the U.S. over the next five years. Through the American Apprenticeship Grants – $175 million awarded to 46 applicants on September 9, 2015 – ETA will build on successful Registered Apprenticeship models, drive ongoing innovation, and support state and regional strategies to expand quality apprenticeships.

Veterans' Employment and Training Service (VETS)

VETS is committed to the nation's responsibility to meet the employment, training, and job security needs of Americans who have served in uniform. VETS prepares America's veterans, service members and their spouses for meaningful careers, provides them with employment resources and expertise, protects their employment rights, and promotes their employment opportunities. VETS supports the Department's Strategic Goal 1, *Prepare workers for better jobs* and the associated Strategic Objectives 1.1, *Advance employment opportunities for US workers in the 21st century demand sectors and occupations using proven training models through increased employer engagement and partnerships*. The Jobs for Veterans State Grants (JVSG) program, which is part of the American Job Center (AJC) public workforce system, assists veterans in overcoming significant barriers to employment, facilitating their transition into the civilian workforce. This program provides intensive services to veterans, which include the development of an individual development plan, career counseling, skill assessment, and resume and interview preparation. A recently-completed analysis of AJC services by the Department's Chief Evaluation Office found veterans in AJC employment programs, particularly those in JVSG, are doing better than non-veterans on a number of dimensions, including receiving services more quickly (consistent with priority of service), becoming employed, staying employed, and having higher earnings. VETS also tracks timeliness and quality measures for its Uniformed Services Employment and Reemployment Rights Act (USERRA) program. To provide prompt resolution for both claimants and employers, VETS strives to complete USERRA investigations within 90 days. For cases that require investigation beyond 90 days, investigators ensure claimants are consulted to approve an extension. Additionally, VETS conducts a review of a sampling of cases each quarter to ensure that cases meet the quality standards set by the agency.

In FY 2015, the timeliness of investigations remained consistent with previous years, recovering from a three-year low in FY 2014, which was the result of the government shutdown. The quality of investigations continues to increase as well, as quality reviews become institutionalized in the work of individual investigators nationwide. In FY 2015, VETS convened a workgroup to analyze the quality review process and recommend changes for consideration in FY 2016.

Strategic Goal 1: Prepare workers for better jobs						
Measure	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Percent of USERRA Investigations Completed Within 90 Days	84%	87%	89%	89.6%	88.0%	88.5%
Percent of Closed USERRA Cases Meeting Agency's Quality Standard	--	--	83%	83%	91.5%	91.7%

Looking Forward: VETS has a goal to increase the percent of participants who receive intensive services from Disabled Veterans' Outreach Program (DVOP) specialists to 90% by September 30, 2016. VETS remains on track to meet this goal, as the agency works with the Employment and Training Administration to implement the Workforce Innovation and Opportunity Act. This act made significant changes to the public workforce system designed to improve coordination between workforce programs and to modify program performance measures.

WORKER PROTECTION

Office of Federal Contract Compliance Programs (OFCCP)

OFCCP ensures that nearly 200,000 Federal contractor facilities and locations provide equal employment opportunities leading to a fair and diverse workplace. OFCCP administers and enforces three legal authorities that require equal employment opportunity: Executive Order 11246, as amended; Section 503 of the Rehabilitation Act of 1973, as amended; and the Vietnam Era Veterans' Readjustment Assistance Act (VEVRAA) of 1974, as amended. Together, these legal authorities ban discrimination and require Federal contractors and subcontractors to take affirmative action to ensure that all individuals have an equal opportunity for employment, without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, disability, or status as a protected veteran. Additionally, federal contractors and subcontractors are prohibited from, under certain circumstances, taking adverse employment actions against applicants and employees for asking about, discussing, or sharing information about their pay or the pay of their co-workers. OFCCP supports the Department's Strategic Goal 3, *Promote fair and high-quality work environments* and the associated Strategic Objective 3.1*, Break down barriers to fair and diverse work-places and narrow wage and income inequality*.

OFCCP's compliance evaluations and complaint investigations play a critical role in measuring Federal contractor compliance with legal obligations under these authorities. In FY 2015, OFCCP conducted fewer compliance evaluations to focus its resources on larger and more complex systemic discrimination cases in both compensation and hiring, and used the Mega Project strategy, focusing on construction projects that include a greater number of Federal contractor and subcontractor workers. These larger cases require additional time and resources, more sophisticated fact-finding and analysis, and have greater potential to impact more workers. With this strategy, OFCCP completed fewer evaluations from FY 2014 to FY 2015, but the number of impacted employees increased from 9,268 in FY 2013 to 16,040 in FY 2015.

Strategic Goal 3: Promote fair and high quality work environments						
Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Compliance Evaluations	4,960	4,014	4,017	4,345	3,985	2,718

Looking Forward: In FY 2016, OFCCP will continue to emphasize the strategic priority of investigating a greater proportion of systemic discrimination cases, particularly systemic pay discrimination cases. OFCCP will also focus on Mega Construction Projects, which have the potential for better success in increasing the representation of minorities, women, people with disabilities, and protected veterans in skilled trades through effective recruitment and training.

Occupational Safety and Health Administration (OSHA)

OSHA is authorized by the Occupational Safety and Health Act of 1970 to assure safe and healthful conditions for working men and women by setting and enforcing standards and providing training, outreach, education and technical assistance. OSHA aims to reduce the number of work related illnesses, injuries, and fatalities and contributes to the broader goal to promote competitiveness of our nation's economy. OSHA supports the Department's Strategic Goal 2, *Improve workplace safety and health,* and Strategic Goal 3, *Promote fair and high-quality work environments,* and related Strategic Objectives 2.1, *Secure safe and healthy workplaces, particularly in high-risk industries* and 3.2, *Protect workers' rights*. The most recent data for key measures of OSHA's activity – the number of safety and health inspections – are presented in the table below.

Safety inspections conducted in general industry and construction take place in a variety of high-hazard industries, such as the chemical and refinery industries; industries that generate combustible dust; oil and gas well drilling; commercial construction; highway, street, bridge, and tunnel construction; arborist and logging work; water, sewer, pipeline, communications (including telecommunications), and power line construction; power distribution and generation; wind energy; forging; steel manufacturing; food manufacturing; grain handling; demolition; warehouses; and health care facilities. There are a multitude of serious safety hazards that workers can be exposed to in these industries.

Health inspections are conducted in general industry and construction and address hazards such as chemical hazards, biological hazards (e.g., blood borne pathogens and tuberculosis), physical hazards (e.g., noise, radiation, and heat and cold stress), and ergonomic hazards (e.g., patient handling, repetitive motion, excessive force, and awkward postures). Safety and health inspections increased from FY 2008 through FY 2012, but dropped from FY 2013 to FY 2015 due to sequestration and decreasing OSHA resources. In FY 2015, OSHA increased its percentage of health inspections with a preliminary result of 6,905 inspections conducted, which was an increase of 87 from the previous year. OSHA met 97% of its inspection goal for safety with 28,834 inspections conducted. OSHA allocated significant enforcement resources to employer-reported incidents resulting from OSHA's new recordkeeping and reporting regulation, which requires employers to report to OSHA all work-related hospitalizations, amputations, and losses of an eye. The new recordkeeping requirements also increased the number of employer referrals, which OSHA addressed through rapid response investigations (RRI) as well as unprogrammed inspections. This reduced the time and resources available for programmed inspection activity. The RRI activity that began in January 2015 effectively doubled OSHA's referral load, adding a workload of almost 4,000 referral investigations for the fiscal year.

OSHA administers the whistleblower protection provisions of Section 11(c) of the Occupational Safety and Health Act (OSH Act). Section 11(c) prohibits any person from discharging or in any manner retaliating against any employee because the employee has exercised rights under the OSH Act. In addition, OSHA's Whistleblower Programs protect workers from retaliation under 21 other whistleblower protection statutes protecting employees who report violations of various airline, commercial motor carrier, consumer product, environmental, financial reform, food safety, health care reform, nuclear, pipeline, public transportation agency, railroad, maritime, and securities laws. In FY 2015, OSHA completed more than 3,200 whistleblower investigations, awarding more than $24 million to complainants including 75 reinstatements.

Strategic Goal 2: Ensure workplaces are safe and healthy Strategic Goal 3: Promote fair and high-quality work environments						
Measure	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Total Number of Safety Inspections Conducted	34,320	33,341	33,580	31,948	29,345[r]	28,834*
Total Number of Health Inspections Conducted	6,649	7,317	7,381	7,280	6,818[r]	6,905*

[r] Indicates revised result from the FY 2014 AFR
* Preliminary results. Final FY 2015 results will be included in the FY 2017 Congressional Budget Justification.

Looking Forward: In FY 2016, OSHA will continue to target the most hazardous worksites and focus on complex hazards that require significant resources, such as fatality and catastrophe investigations, cases that involve process safety management hazards, and investigations of serious and prevalent hazards under OSHA's General Duty Clause. OSHA will implement the Enforcement Weighting System (EWS), which assigns a higher enforcement unit value to these complex inspections noted above, moving the focus from the simple number of inspections completed to the quality and complexity of inspections completed. The EWS will allow OSHA to better manage its resources to make the greatest impact.

Wage and Hour Division (WHD)

WHD is responsible for administering and enforcing laws that establish the minimum standards for wages and working conditions. Collectively, these labor standards cover most private, state, and local government employment. They protect over 135 million workers in more than 7.3 million establishments throughout the U.S. and its territories.

WHD investigators, supervisors, analysts, technicians and administrative employees enforce and administer the minimum wage, overtime and child labor provisions of the Fair Labor Standards Act (FLSA); the prevailing wage requirements and wage determination provisions of the Davis Bacon and Related Acts (DBRA) and Service Contract Act (SCA); the wages and working conditions under the Migrant and Seasonal Agricultural Worker Protection Act (MSPA); and the Employee Polygraph Protection Act (EPPA). WHD also enforces the field sanitation and temporary labor camp standards in agriculture and certain employment standards and worker protections of the Immigration and Nationality Act (INA). WHD's enforcement responsibilities directly contribute to the Department's Strategic Goal 3, *Promote fair and high–quality work environments*, and related Strategic Objectives 3.2, *Protect workers' rights*, and 3.3, *Secure wages and overtime.*

Since FY 2010, WHD has undergone a significant change in how the agency carries out the mission. Fragmentation of employment relationships and the scope and complexity of industry structures (i.e., fissuring) combined with the growth of the contingent workforce present complex enforcement challenges that require new levels of coordination and strategy.

To be effective in securing compliance, WHD continues to prioritize conducting directed investigations focused on new business models characterized by the use of subcontracting, franchising, temporary employment, labor suppliers, independent contracting, and a contingent workforce. These business models, where companies outsource key aspects of their production, often lead to less compliance with wage and hour related statutes. The first measure below is directed investigations as a percentage of all investigations conducted. In FY 2015, WHD fell below FY 2014 performance (by less than 2 percentage points) for "Percent of Directed Investigations," but still maintained increases from the four years prior to FY 2013. Moving forward, WHD is focused on the challenge of advancing strategic enforcement while identifying areas for increased efficiency.

The second and third measures reflect WHD's commitment to focusing on those industries with a history of violations that employ vulnerable workers. Since FY 2010, the agency has maintained a high percent of overall investigations in priority industries. In FY 2008, WHD found back wages of $57.5 million in certain low-wage industries for 76,900 workers. In FY 2015, WHD found more than $74 million in those low wage industries for over 102,000 workers. The average amount of back wages per employee rose from $785 in FY 2009 to $890 in FY 2014 to $1026 in FY 2015—a significant increase for low wage workers. For example, those average back wages represent nearly four times the earnings for a typical work week for waiters or waitresses, the equivalent of over two and a half paychecks for a janitor, and nearly three and a half paychecks for a cashier. WHD prioritized low wage industries in both complaint and directed investigations while increasing the back wage recoveries per worker in those industries.

Strategic Goal 3: Promote fair and high-quality work environments						
Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Percent of Directed Investigations	27%[r]	29%	41%	44%	44%	42%
Percent of Directed Investigations in Priority Industries	82%	82%	85%	83%	83%[r]	84%
Percent of Complaint Investigations in Priority Industries	63%[r]	65%[r]	67%	68%	67%	67%

[r] Revised

Looking Forward: The modern workplace in many industries is no longer a brick and mortar company owned and operated by a single employer. Fragmentation of employment relationships and the scope and complexity of industry structures combined with the growth of the contingent workforce present complex enforcement challenges that require new levels of coordination and strategy. WHD has three strategic priorities to meet these challenges:

1. Ensuring that the regulatory agenda of providing a fair day's pay for a hard day's work is fully and properly implemented;
2. Building a strategic enforcement system that supports the agency's mission, vision, and values; and

3. Providing support for key initiatives such as government contracts, addressing the fissured workplace, and modernizing WHD's approach in program enforcement areas.

The agency's priorities are supported by performance measures to monitor the organization's progress in achieving strategic enforcement and compliance outcomes. WHD has used a balance of measures to evaluate whether the agency is effective, productive, and consistent in applying new policies and strategies. WHD has consistently prioritized enforcement resources in those industries defined by their fissured structures. The increased level of directed investigations has increased the agency's presence in those priority industries. By focusing on priority industries, WHD also increases the likelihood of detecting instances of misclassification of employees as independent contractors.

Employee Benefits Security Administration (EBSA)

EBSA is charged with protecting more than 143 million workers, retirees and their families who are covered by nearly 677,000 private retirement plans, 2.3 million health plans, and similar numbers of other welfare benefit plans. Together, these plans hold estimated assets of $8.7 trillion. EBSA's proactive enforcement, outreach and education programs protect the most vulnerable populations while ensuring broad compliance with the Employee Retirement Income Security Act of 1974 (ERISA) and related laws. In particular, the primary objectives of EBSA's enforcement program are to improve compliance with ERISA; recover losses and unjust profits resulting from misconduct by plan fiduciaries and service providers; and increase the deterrent impact of the Agency's enforcement efforts on employee benefit plans, participants and beneficiaries. EBSA supports the Department's Strategic Goal 4*, Secure retirement, health, and other employee benefits and, for those not working, provide income security*, and related Strategic Objective 4.2, *Improve health benefits and retirement security for all workers*.

EBSA's enforcement program seeks to detect and correct violations that result in monetary recoveries for employee benefit plans, participants and beneficiaries or in other corrective remedies including, but not limited to, significant broad-based reforms for large plans or common service providers. In FY 2014, EBSA developed measures designed to increase the effectiveness of its enforcement program while avoiding reliance on raw case numbers. As a result, EBSA replaced its cases closed measures in FY 2015 with the three measures listed below that track investigation timeliness. The measures' FY 2015 targets were based on five year historical data and EBSA's FY 2015 results fell near or surpassed these targets. In particular, criminal investigations exhibited greater efficiencies than expected. EBSA focused its FY 2015 enforcement resources on National Projects and the Major Case Enforcement Priority. The Major Case Enforcement Priority concentrates a significant portion of the Agency's enforcement resources on those cases likely to have the greatest impact on the protection of plan assets and participants' benefits.

Strategic Goal 4: Secure retirement, health, and other employee benefits and, for those not working, provide income security						
Measure	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Civil Non-Major Case Timeliness – % of Non-Major Civil Cases Closed or Referred for Litigation in the fiscal year within 30 Months of Case Opening except for case categories covered in the measure immediately below	--	--	--	--	--	84.00%
% of Delinquent Employee Contribution, Abandoned Plan, Bonding, Health-Part 7 Violation, and other Reporting and Disclosure Non-Fiduciary Breach Cases Closed or Referred for Litigation in the fiscal year within 18 Months of Case Opening	--	--	--	--	--	71.00%
Criminal Case Timeliness – % of Criminal Cases Closed or Referred for Litigation in the fiscal year within 18 Months of Case Opening	--	--	--	--	--	87.00%

Looking Forward: In FY 2016, EBSA will continue to implement performance measurement changes designed to increase the effectiveness of its enforcement program. Enforcement program changes will focus on the overlapping and related areas of: effective targeting, prompt detection and pursuit of violations; the successful pursuit of monetary recoveries; non-monetary results that promote compliance with ERISA; and the aggressive and timely pursuit of participant tips and complaints.

Mine Safety and Health Administration (MSHA)

MSHA protects the safety and health of the nation's miners under the provisions of the Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response (MINER) Act of 2006. MSHA focuses on the prevention of death, disease, and injury from mining and on promoting safe and healthful workplaces for the Nation's miners. MSHA supports the Department's Strategic Goal 2, *Improve workplace safety and health* and Strategic Goal 3, *Promote fair and high-quality work environments,* and related Strategic Objectives 2.1, *Secure safe and healthy workplaces, particularly in high-risk industries* and 3.2, *Protect workers' rights.*

MSHA is required to conduct four complete inspections annually at active underground mines and two complete inspections annually at active surface mines. The table below shows the number of inspections for Coal vs. Metal and Nonmetal mine types. Fluctuations in the number of inspections over time reflect variation in the number of mines operating during any given time period. In FY 2015, MSHA performed all mandated inspections.

Supports Strategic Goal 2: Improve workplace safety and health, and Strategic Goal 3: Promote fair and high-quality work environments						
Measure	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Regular Mandated Coal Mine Inspections	5,121	5,139	5,117	4,658	4,176	4,130
Regular Mandated Metal and Nonmetal Mine Inspections	16,127	16,269	16,620	16,624	16,253	16,862

Looking Forward: By September 30, 2016, MSHA aims to reduce worker fatality rates in mining by five percent based on a rolling five-year average. MSHA will use the following strategies in pursuit of achieving this target: increasing inspection and enforcement effectiveness, strengthening and modernizing training and education, improving mine emergency response preparedness, strengthening health and safety regulations, increasing efforts to protect miners from discrimination and supporting open government.

Office of Labor-Management Standards (OLMS)

OLMS protects the rights of American workers by administering the Labor-Management Reporting and Disclosure Act (LMRDA) and related laws, which safeguard union democracy and financial integrity, and promote financial transparency. OLMS supports the Department's Strategic Goal 3, *Promote fair and high-quality work-life environments,* and related Strategic Objective 3.2, *Protect workers' rights*.

OLMS focuses audit resources by using advanced targeting techniques to identify the labor unions most likely to be subject to a violation of the law. The success of audit targeting strategies is measured by "Percent of Audits Resulting in a Criminal Case (Fallout Rate)." Since the implementation of this performance measure, OLMS has increased the fallout rate considerably, reaching its highest percentage to date in FY 2014.

Timely resolution of union election complaints is a paramount goal of the LMRDA, and OLMS gauges its progress against this goal through the "Days to Resolve Union Officer Election Complaints" measure. In 2009 OLMS established a baseline and since that point has dramatically reduced the average number of elapsed days per case. OLMS continues to exceed this goal.

OLMS is also making it easier for unions, employers, and consultants to file the financial and activity reports required under the LMRDA, and it tracks its success in these efforts through the "Percent of LMRDA Required Forms Filed Electronically" measure. OLMS continues to use existing outreach tools (e.g., seminars, compliance assistance incidental to an audit, and its newly rebooted Voluntary Compliance Partnership program) to introduce and encourage union leaders and other filers to use web-based forms.

Strategic Goal 3: Promote fair and high quality work environments						
Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Percent of Audits Resulting in a Criminal Case (Fallout Rate)	--	14.9%	13.8%	20.9%	21.7%	21.46%
Number of Days to Resolve Union Officer Election Complaints	81	79	71	71	72	70
Percent of LMRDA Reports Filed Electronically	--	21.4%	37.8%	42.4%	45.0%	49.0%

Looking Forward: These results measure progress in the three OLMS high priority programs. In the future, OLMS will focus its efforts on continued improvements. For its fallout measure, OLMS will continue to refine the targeting techniques in an effort to continue saving resources directed at audits and redirecting these saved resources to high priority programs. And while efforts to work closely and cooperatively with the Office of the Solicitor have resulted in dramatic improvement in election case processing, OLMS will explore additional areas of mutual cooperation. OLMS continues to enhance efforts to coordinate work between the National Office and field staff by identifying new means of communications and extending existing channels to more efficiently process election cases. In the past, these efforts have expedited processing and OLMS believes that by enhancing this coordination and looking for additional areas of increased efficiency, the number of elapsed days can be further reduced. Finally, in FY 2015, OLMS allocated greater resources to its Voluntary Compliance Partnership (VCP) program, a cooperative effort with 43 international and national unions designed to provide targeted outreach to their affiliates, with one goal being fostering greater use of the electronic filing capabilities of the OLMS web site.

POLICY

Women's Bureau (Bureau)

The mission of the Women's Bureau is to develop policies and standards and conduct inquiries to safeguard the interests of working women, advocate for their equality and economic security for themselves and their families, and promote quality work environments. The Bureau is the only Federal office dedicated to serving and promoting the interests of women in the workforce. The Bureau supports the Department's Strategic Goal 3, *Promote fair and high-quality work environments* and Strategic Objective 3.1, *Break down barriers to fair and diverse work places and narrow wage and income inequality*.

The Bureau conducts research to identify and formulate practices and policies that support working women and inform strategic interventions and recommends these practices and policies within DOL and the Federal government, national organizations and local communities. It identifies trends, data gaps, policy and programmatic needs, and promising practices.

Looking Forward: In FY 2016, the Bureau will continue to serve as a strategic coordinator of issue/policy experts, practitioners, businesses and inter- and intra- agency collaborators to elevate the issue of paid leave, as well as to advance and improve women's earning power through opportunities for preparation and training for women in growth and in-demand careers and by advocating for fair and equal wages. The Bureau will continue its ongoing public awareness and education efforts, including revamping and revising its popular women's employment rights guide and promoting women's presence in apprenticeships and non-traditional occupations.

Office of Disability Employment Policy (ODEP)

ODEP uses data and evidence to promote the adoption and implementation of policy strategies and effective practices to increase the number and quality of job opportunities for people with disabilities. Based on research and evaluation, ODEP develops or identifies effective policy and practices, conducts outreach to share this critical information, and provides technical assistance to all levels of government, service providers and non-governmental organizations, and employers to aid them in adoption and implementation. These ODEP activities support the Department's Strategic Goal 3, *Promote fair and high-quality environments* and the associated Strategic Objective 3.1*, Break down barriers to fair and diverse work-places and narrow wage and income inequality*.

ODEP's key performance measures are the numbers of "Policy Outputs", "Effective Practices", and "Formal and Informal Collaborations." "Policy Outputs" include documents recommending or putting in place a significant policy change or an interpretation of existing policy related to disability employment. "Effective Practices" are technical assistance and informational materials developed to aid entities in adopting and implementing proven practices. "Formal and Informal Collaborations" are working relationships between ODEP and governmental and non-governmental entities that help ODEP increase its reach and impact.

ODEP has produced a steady stream of policy outputs, capitalizing on interest by states in implementing effective practices that prioritize competitive, integrated employment and increased interest by employers in hiring people with disabilities spurred by new regulations. The majority of ODEP work in 2015 was in conducting outreach and providing technical assistance on revised legislations such as the Workforce Innovation and Opportunity Act (WIOA) and new regulations such as those implementing Section 503 of the Rehabilitation Act. As a result, "Policy Outputs" have increased and the FY 2015 result for "Effective Practices" was the highest in five years.

Strategic Goal 3: Promote fair and high quality work environments						
Measure	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Policy Outputs	35	42	39	54	114[r]	146
Effective Practices	23	44	131	192	153[r]	193
Formal and Informal Collaborations[1]	--	--	--	--	--	364

[1] In 2015 ODEP combined the number of formal agreements with the number of informal collaborations as this combined measure is a better measure of ODEP's efforts that foster partnerships to ensure policy development and adoption.
[r] Indicates revised result from the FY 2014 AFR

Looking Forward: With the signing of the WIOA, the issuance of updated regulations for Section 503 of the Rehabilitation Act, and the Executive Order to increase hiring of people with disabilities that helps the Government fulfill its responsibilities under Section 501 of the Rehabilitation Act, there are significant legislative and regulatory successes that have the potential to improve the employment of people with disabilities. In order to capitalize on these opportunities, ODEP will target its strategic approaches to compel the entities responsible for executing the new requirements – state agencies, workforce boards, federal contractors, and federal agencies – to adopt effective practices and policies that help the nation achieve the goals of the legislation, regulations and Executive Order.

Bureau of International Labor Affairs (ILAB)

In the global economy, working conditions and compliance with international labor standards shape the opportunities for American and foreign workers. Addressing worker rights and livelihoods overseas helps level the global playing field for American workers, while protecting and promoting the rights of all workers. The Secretary's vision of *promoting and protecting opportunity* requires an inclusive growth strategy to help improve working conditions, raise living standards, protect workers' ability to exercise their rights, and the elimination of workplace exploitation of children and other vulnerable populations.

ILAB has three major strategies for achieving its goal: (1) promoting labor standards through an integrated approach of policy, research, and technical assistance; (2) combatting child labor, forced labor and human trafficking through research and evidence-based programming; and (3) improving workers' rights through targeted labor policy engagement, including monitoring and enforcement of labor provisions of free trade agreements. ILAB supports the Department's Strategic Goal 1, *Prepare workers for better jobs*, and Strategic Objective 1.3, *Advance workers' rights, acceptable work conditions, and livelihoods, particularly for the world's vulnerable populations.*

Looking Forward: ILAB has adopted a multi-pronged strategy to promote worker rights particularly for vulnerable populations through efforts to amend laws, strengthen monitoring and enforcement, improve industrial relations, effectively engage companies, and raise awareness about worker rights and exploitative practices of child labor and forced labor. In FY 2016, ILAB will increase its efforts to monitor and enforce labor provisions of free trade agreements and promote worker rights through technical assistance, continue oversight of over $300 million in grants for 68 projects operating in 60 countries, represent the United States in various international meetings, and provide relevant research on forced labor and the worst forms of child labor.

BENEFITS

Office of Workers' Compensation Programs (OWCP)

OWCP is composed of four separate programs that provide workers' compensation benefits supporting the Department's Strategic Goal 4*, Secure retirement, health, and other benefits and, for those not working, provide income security,* and Strategic Objective 4.1, *Provide income support when work is impossible or unavailable and facilitate return to work*:

- The *Federal Employees' Compensation Act (FECA) Program* provides wage-loss compensation, payment for medical treatment, return to work assistance, and vocational rehabilitation to civilian employees of the Federal government injured at work and to certain other designated groups. In the event of death, FECA provides ongoing monetary compensation to dependents.
- The *Longshore and Harbor Workers' Compensation Act (Longshore) Program* oversees the provision of similar benefits to injured private sector workers engaged in certain maritime and related employment, and by extension to contractors working overseas for the U.S. government under the Defense Base Act.
- The *Black Lung Benefits Program* oversees the provision of monetary compensation and medical benefits to coal mine employees who are totally disabled due to pneumoconiosis arising out of coal mine employment, and monetary benefits to their eligible dependent survivors.
- The *Energy Employees Occupational Illness Compensation Program Act (Energy Program)* provides compensation and medical benefits to employees or survivors of employees of the Department of Energy (DOE) and DOE contractors or subcontractors who worked on the nation's nuclear weapons program and became ill due to exposure to radiation or toxic substances.

One of the Federal Employees' Compensation Act program's principal focus areas is to provide disability management intervention and rehabilitative and placement services to assist with injury recovery and to facilitate the return to work of the individuals who sustained an injury or illness. The participation of Federal employers was reinforced in recent years by Executive Order (EO) 13548 and successive government-wide initiatives, including the Safety, Health, and Return to Employment (SHARE) initiative (2004-2008), and the Protecting Our Workers and Ensuring Reemployment (POWER) initiative (2010-2014).

EO 13548 of July 26, 2010, directed Federal agencies to make special efforts to recruit and hire people with disabilities and to ensure the retention of those who are injured on the job. Under the EO, agencies are to work to improve, expand, and increase successful return-to-work outcomes by increasing the availability of job accommodations and light- or limited-duty jobs and removing disincentives for FECA claimants to return to work.

The SHARE and POWER initiatives set specific performance targets for (non-Postal Service) Federal employers for the periods 2004 to 2008 and 2010 to 2014 including:

- Reduction of total injury and lost-time injury rates;
- Improved analysis and reporting of on-the-job injuries;
- Reduction of Federal agency lost-production-day rates;
- Increase in the percentage of employees who suffer a serious workplace injury or illness who return to work; and
- Required electronic and timely submission of Notices of Injury and Wage-Loss Claims by Federal employers.

Federal agencies responded to these initiatives and continue to work constructively with DOL to improve workplace safety, improve injury case management and increase returns to work. Although the "Government-Wide Lost Production Days (LPD) Rate in Non-Postal Agencies" favorably declined in 2015, the measure is better indicator of government-wide performance rather than OWCP program performance because of the number of factors involved that are not under OWCP's or DOL's control. The unfavorable decline in the "Government-Wide Share of Injured Workers Returned to Work Within Two Years of Injury" is reflective of the reduction of federal agency resources from Return-to-Work (RTW) due to sequestration and budget reductions and the lack of attention to RTW by agencies. Without the forcing function of a Presidential initiative, such as POWER which expired in 2014, OWCP's ability to drive RTW improvement is limited.

The Longshore and Harbor Workers' Compensation Act program focuses on employer performance to ensure that injury reports and first payment of benefits are timely and that disputed claims are resolved as quickly as possible. The measure, "Percent of First Payment of Compensation Issued Within 30 days for Defense Base Act Cases" monitors the improvement of insurance carriers and providers in providing compensation to workers injured on the job. Performance results for this measure reflect an improvement of over 20% since FY 2009. In FY 2015, the Longshore program began holding quarterly performance calls with industry carriers/employers and mutual insurance companies. These calls were designed to focus attention on the First Payment of Compensation measure/result and to share best practices. The FY 2015 result for this measure is 67%, four percentage points higher than the FY 2014 result and 24% higher than FY 2009 result. The program expects performance in this area to continue to improve in FY 2016.

For a number of years, the Black Lung program has monitored the timeliness of black lung disease claim processing through its "Average Time to Render Proposed Decision and Order (PDO) on Black Lung (BL) Claims" measure. With the passage of The Patient Protection and Affordable Care Act (PPACA) of 2010, which reinstated two provisions in the Black Lung Benefits Act favorable to claimants, the program experienced a significant increase in the number of claims filed in 2010, which led to the claim processing time increasing from 2010 through 2012. Incoming claims volume surged again in 2014, exceeding the level seen in 2010, and the processing time once again began to increase.

In FY 2015, the agency placed increased emphasis on the balance of workload, quality, and timeliness, including new quality control initiatives, specifically the additional development of medical evidence to ensure that the best and most accurate decisions were issued and a focused quality review process. These changes led to an average processing time of 273 days in FY 2015, up from 234 in FY 2014. In the second half of FY 2015, the agency began a data analysis project which identified the cases involving an identified Responsible Operator (coal company) as comprising approximately one half of the overall workload. These cases require significant time and effort to develop with quality sufficient to withstand likely appeals by the Responsible Operators. Given the changes in the Black Lung program and the enhanced emphasis on quality control, the program is developing new processing time performance measures which distinguish among case types. This approach will provide OWCP leadership with better information to manage the program and increase its overall performance.

The Energy Employees Occupational Illness Compensation Act program has joint timeliness measures with the Department of Energy and the National Institute for Occupational Safety and Health (NIOSH), as each partner agency has a role in final claims decisions. The "Average Number of Days Between Filing Date and Final Decision for Cases Sent to NIOSH When a Hearing is Held" focuses on shortening the overall time to make claims decisions through improving program coordination. A priority focus for the program is to reduce the time required to process cases that are sent to NIOSH for dose reconstruction and require an oral hearing. The average number of days between filing date and final decision for cases sent to NIOSH when a hearing was held was 497 days to date in FY 2015, representing a slight increase from FY 2014, but still significantly less than FY 2011 and FY 2012.

Strategic Goal 4: Secure retirement, health benefits, and other benefits and, for those not working, provide income security						
Measure	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Government-Wide LPD Rate in Non-Postal Agencies (FECA)	34.6	33.8	34.8	34.6	31.8	30.4
Government-Wide Share of Injured Workers Returned to Work Within Two Years of Injury (FECA)	89.7%	91.6%	91.5%	91.9%	90.7%	89.7
Percent of First Payment of Compensation issued Within 30 days for Defense Base Act Cases (Longshore)	55%	56%	63%	67%	63%	67%
Average number of days to process Black Lung Claims (Black Lung)	210	238	262	221	234	273
Average Number of Days Between Filing Date and Final Decision for Cases Sent to NIOSH When a Hearing is Held (Energy)	--	619	552	452	469	497

Looking Forward: In FY 2016, OWCP will consider expansion of the reemployment opportunities for injured workers, increasing the number of injured workers placed in jobs when they cannot be reemployed by their date-of-injury Federal employer, and using Labor for America's candidate bank to expand the use of assisted reemployment and increase placement with employers in the public and private sectors. The agency will continue outreach to Black Lung program customers and medical provider communities to improve the quality of medical evidence submitted with claims, foster a better understanding of the claims decisions issued, and expand the pool of higher-credentialed physicians available for diagnostic examinations which will increase the credibility of initial eligibility decisions.

In addition, OWCP will continue to focus on customer service. It will provide training for OWCP staff on working with difficult customers and customers facing challenging circumstances. It also will work on improving the customer service survey initiative started in FY 2015.

Federal-State Unemployment Insurance (UI) Program (administered by ETA)

The Federal-State UI Program, authorized under the Federal Unemployment Tax Act and Title III of the Social Security Act, provides temporary, partial wage replacement for unemployed workers, providing them with income support when suitable work is unavailable. This program supports Strategic Goal 4, *Secure retirement, health, and other employee benefits and, for those not working, provide income security* and the associated Strategic Objective 4.1 *Provide income support when work is impossible or unavailable and facilitate return to work.* To be eligible for benefits, unemployed workers must meet eligibility requirements established by state laws that conform to federal law, including that they have worked recently, be involuntarily unemployed, and be able and available for work. The "Total Unemployment Rate," calculated using Bureau of Labor Statistics data, is the sum of the (not seasonally adjusted) unemployment level for October through September divided by the sum of the (not seasonally adjusted) labor force level for October through September.

One of the key measures for this program is *Percent of All Intrastate First Payments Made within 21 Days after the Last Day of the First Compensable Week* (First Payment Timeliness). Although the "First Payment Timeliness" performance has improved when compared to FYs 2013 and 2014, this performance is still below the acceptable level of performance for this measure – 87%. Reasons for the states' inability to achieve the "First Payment Timeliness" performance standard include state staff layoffs, high state staff turnover, and technology issues. The staff layoffs are a consequence of the reduction in administrative funding resulting from lower workloads due to expiration of the Emergency Unemployment Compensation program and an improved economy. States have experienced a high turnover of staff leaving them with a less experienced and trained staff to make claim eligibility determinations which led to workload backlogs in the claims-taking and adjudication units. Additionally, several states have reported technology issues following system modernization implementation efforts or because they have antiquated technology systems. ETA continues to provide intensive technical assistance and monitoring to underperforming states. The table below provides historical data, along with unemployment statistics.

Strategic Goal 4: Secure retirement, health benefits, and other benefits and for those not working, provide income security						
Measure	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Total Unemployment Rate	9.7%	9.2%	8.3%	7.6%	6.5%	5.4%
First Payment Timeliness	82.2%	84.0%	83.7%	81.0%	79.0%	83.5%

Looking Forward: During the past year, ETA has been engaged in reengineering its Program Accountability processes for the UI program. This new annual process will identify states that are not meeting performance and/or integrity measures or have operational issues with regard to program administration. Please refer to the Training and Employment Notice No. 3-15 for details on this reengineering effort:
http://wdr.doleta.gov/directives/attach/TEN/TEN_03-15.pdf.

In FY 2016, using the states' performance on the core measures including the first payment timeliness measure data, ETA will identify and work with all states failing to meet the performance standard to include corrective action plans to achieve first payment timeliness in their State Quality Service Plans. In addition, using the reengineered methodology for identifying "High Priority" states, ETA will identify states with the poorest overall performance and provide them intensive technical assistance and increased monitoring to support performance improvement. ETA UI staff will work with these states to develop comprehensive Corrective Action Plans (CAPs) designed to improve performance. Examples of ETA's customized technical assistance strategies to support performance improvement for the poor performing states include:

- Work collaboratively with the state(s) to conduct enhanced analysis of all relevant data (including performance data) to inform strategic approaches to performance improvement. The data analysis may also involve examining data in similarly situated states.
- Deploy a team of experts from ETA, and possibly other state experts, to conduct a thorough review of the state's administrative and business processes relevant to the poor performance using state-of the-art business process analysis and process mapping tools, resulting in recommendations and an action plan the state will implement, as appropriate.
- Engage high-level state officials to bring focus to the egregious performance and promote prioritizing state resources to support performance improvement.
- Enhanced monitoring and follow-up that may include additional reporting by the state in area(s) of performance deficiency and on-site visits by ETA or partnering with state staff to assess process changes

ETA, in collaboration with the National Association of State Workforce Agencies' Information Technology Support Center (ITSC), continues to diligently work with individual states and state consortia to provide appropriate technical assistance in support of their information technology modernization efforts. Pending availability of funding in future years, ETA will continue to support the states' system modernization efforts.

STATISTICS

Bureau of Labor Statistics (BLS)

BLS supports the Department's Strategic Goal 5, *Produce timely and accurate data on the economic conditions of workers and their families,* and Strategic Objective 5.1, *Provide sound and impartial information on labor market activity, working conditions, and price changes in the economy for decision making, including support for the formulation of economic and social policy affecting virtually all Americans.*

BLS produces accurate, objective, relevant, timely, and accessible statistics reflecting labor market activity, working conditions, and price changes in the economy. Its mission is to collect, analyze, and disseminate essential economic information to support the public and private decision-making that forms the basis of our democratic, free-enterprise system. Policies and decisions based on BLS data affect virtually all Americans, and the wide range of BLS data products is necessary to fulfill the diverse needs of a broad customer base.

BLS strives to ensure that its data products are readily accessible to its customers through the internet, most commonly through www.bls.gov, and meet users' needs. BLS uses the average number of website page views to track the dissemination of its data. In addition, BLS uses the American Customer Satisfaction Index (ACSI) to measure customer feedback with its website. The ACSI survey prompts users for feedback while they are on the www.bls.gov website regarding the extent to which the website meets their needs. BLS uses these results to improve the website, to better serve its stakeholders, and to measure mission achievement.

In FY 2015, BLS reached 100 percent of the underlying timeliness, accuracy, and relevance targets for all of its Principal Federal Economic Indicators (PFEIs). BLS experienced fewer average website page views when compared to FY 2014, averaging approximately 17 million page views each month. BLS also scored lower in the ACSI when compared to FY 2014, with a year-end score of 75. Results for the five performance measures are shown in the table below.

Strategic Goal 5: Produce timely and accurate data on the economic conditions of workers and their families						
Performance Measure	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Percentage of Timeliness Targets Achieved for the Principal Federal Economic Indicators (PFEIs) [1]	100%	100%	100%	100%	100%	100%
Percentage of Accuracy Targets Achieved for the PFEIs [1]	100%	100%	100%	100%	95%	100%
Percentage of Relevance Targets Achieved for the PFEIs [1]	100%	100%	90%	100%	100%	100%
Average number of BLS website page views each month (Dissemination) [2]	N/A	N/A	N/A	N/A	17,423,845	16,965,254
Customer Satisfaction with the BLS website through the American Customer Satisfaction Index (Mission Achievement) [3]	75	75	77	77	77	75

[1] Measure is new beginning in FY 2014. The FY 2010 – 2013 results are shown for trend comparison purposes.
[2] In FY 2015, BLS replaced its dissemination measure due to a change in software. The FY 2014 result is shown for trend comparison purposes.
[3] ACSI Score is calculated on a 100 point scale.

Looking Forward: BLS will continue to report timeliness, accuracy, and relevance for its PFEIs, track dissemination with its website page views measure, and use the ACSI to measure customer feedback with its website. BLS also will continue to evaluate its targets in the interest of continuous improvement.

Financial Performance Overview

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

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

In FY 2015 and FY 2014, DOL used managerial cost accounting for costing programs and performance indicator results in accordance with the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Standards and Concepts*, as amended by SFFAS No. 30, *Inter-Entity Cost Implementation*. The statements outline the standards for Federal entities to provide "reliable and timely information on the full cost of Federal programs, their activities, and outputs." This information can be used to allocate resources and evaluate program performance. Managerial cost accounting directly supports the sections of the AFR that address Net Program Cost in the Statements of Net Cost. Total Net Cost of DOL activities was $46.4 billion for FY 2015 and $55.7 billion for FY 2014.

Analysis of Financial Statements and Stewardship Information

The principal financial statements summarize the Department's financial position, net cost of operations, and changes in net position, and provide information on budgetary resources and social insurance.

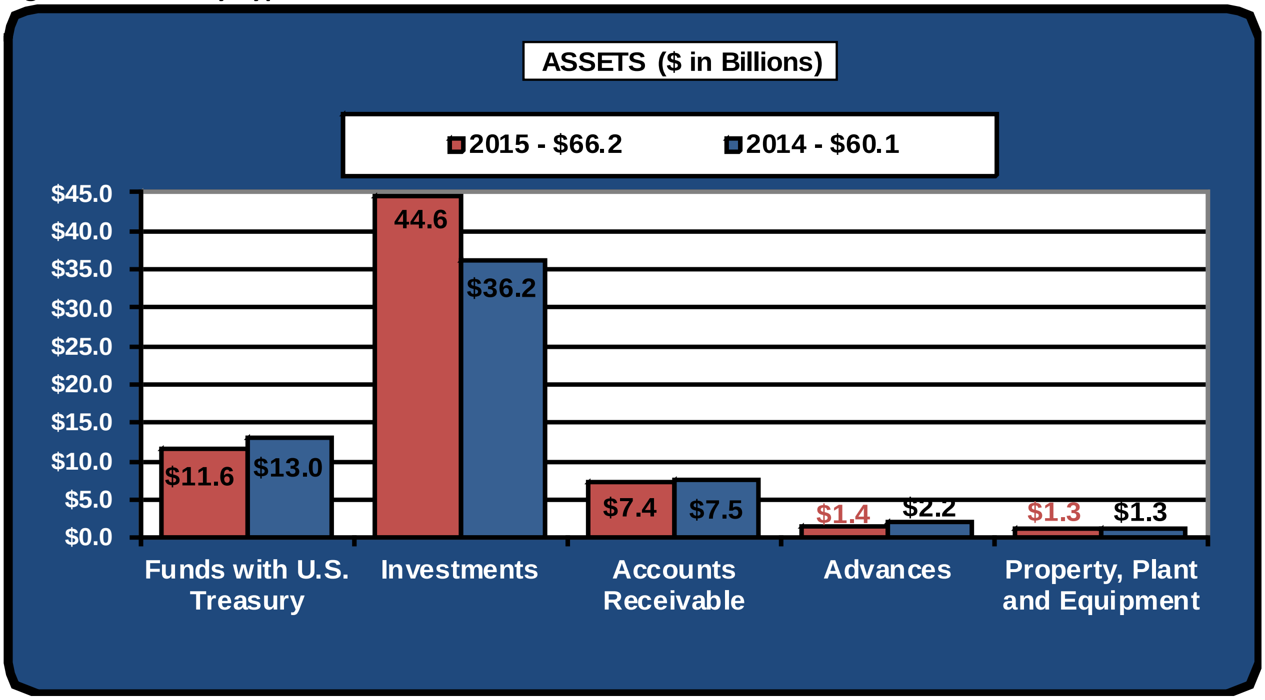
Figure 1: Summary of Selected Financial Data for FY 2015 and FY 2014

Summary of Selected Financial Data							
					Change		
(Dollars in billions)		2015		2014		Amount	Percent
Financial position							
Total assets	$	66.2	$	60.1	$	6.1	10.1%
Funds with U.S. Treasury		11.6		13.0		(1.4)	(10.8)%
Investments		44.6		36.2		8.4	23.2%
Total liabilities	$	37.7	$	47.0	$	(9.3)	(19.8)%
Debt		18.5		26.7		(8.2)	(30.7)%
Net cost of operations							
Net cost of operations	$	46.4	$	55.7	$	(9.3)	(16.7)%
Income maintenance		37.6		47.0		(9.4)	(20.0)%
Employment and training		6.2		6.3		(0.1)	(1.6)%
Budgetary resources							
Appropriations	$	46.9	$	59.4	$	(12.5)	(21.0)%
Borrowing authority		-		2.7		(2.7)	(100.0)%
Obligations incurred		54.7		69.9		(15.2)	(21.7)%

Financial Position

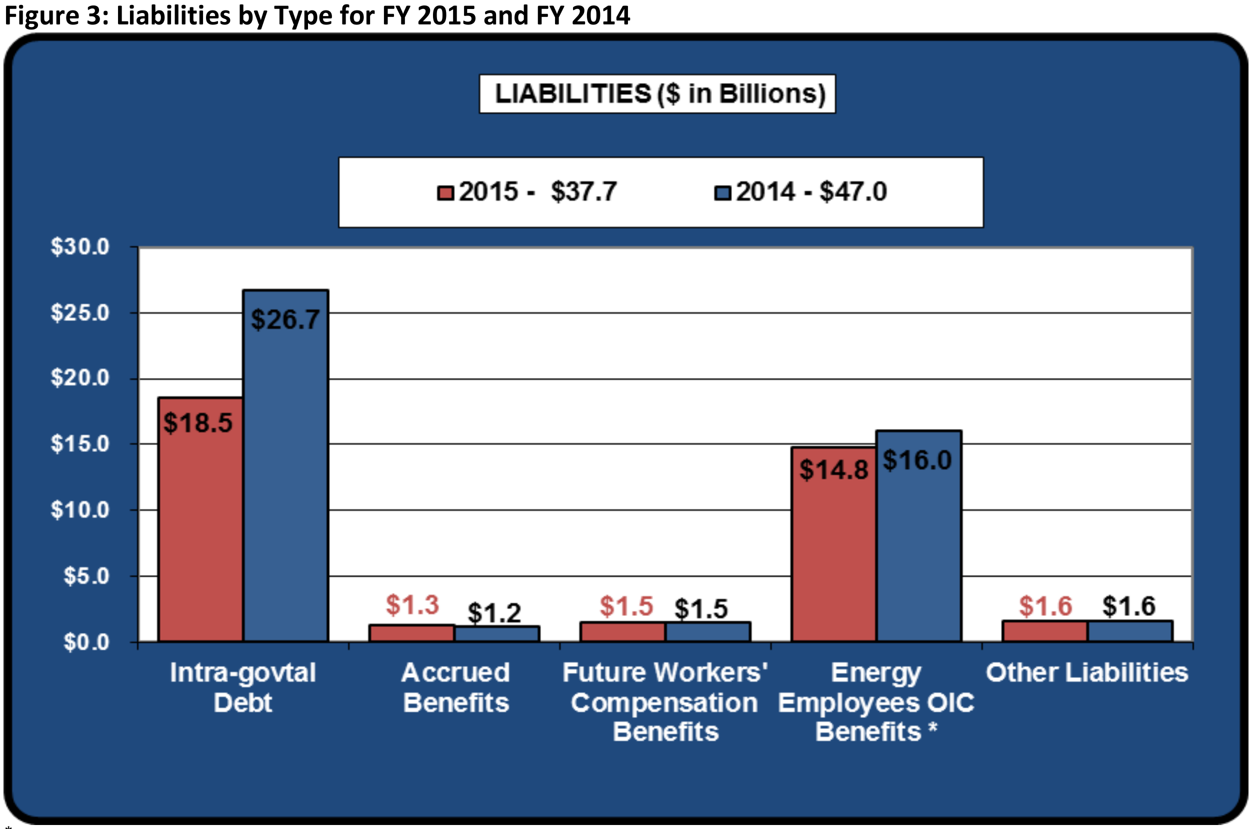
The Department's Balance Sheet presents DOL's financial position through the identification of agency assets, liabilities, and net position, as shown below. The Department's total assets increased from $60.1 billion at the end of FY 2014 to $66.2 billion at the end of FY 2015, an increase of 10.1%, primarily due to an increase in investments. Investments increased primarily due to net inflows in the Unemployment Trust Fund (UTF) in excess of immediate program needs for benefit payments and administrative costs. (See **Figure 2** on next page for reported Assets by Type for FY 2015 and FY 2014.) The decrease of $(1.4) billion for Funds with U.S. Treasury is primarily due to the decrease in appropriations.

Figure 2: Assets by Type for FY 2015 and FY 2014



Liabilities decreased from $47.0 billion at the end of FY 2014 to $37.7 billion at the end of FY 2015, a decrease of (19.8)%. This decrease was primarily due to a decrease in intra-governmental debt of (30.7)% due to Unemployment Trust Fund (UTF) repayments of borrowings from the General Fund of the Treasury as tax collections by the states exceeded the requirements for benefit payments.

Figure 3: Liabilities by Type for FY 2015 and FY 2014

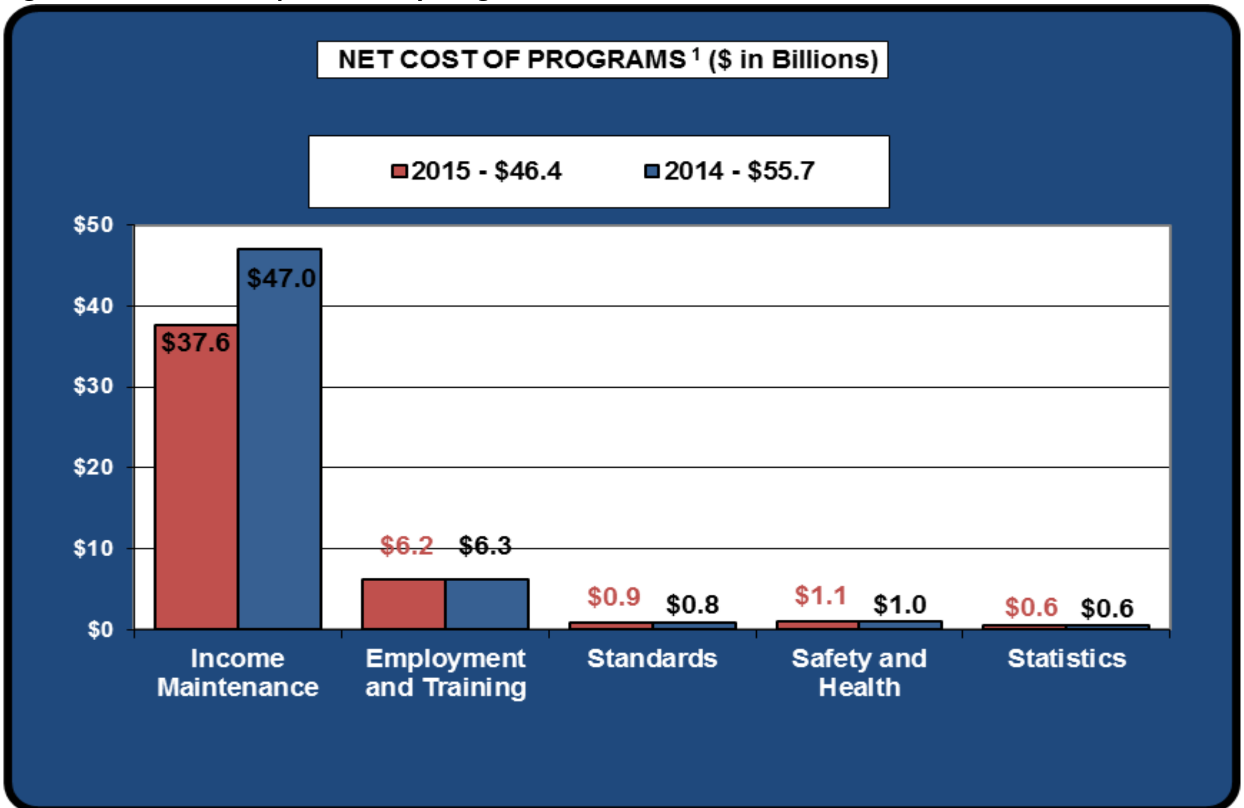


* OIC = Occupational Illness Compensation.

Net Cost of Operations

The Department's net cost of operations for the year ended September 30, 2015, was $46.4 billion, a decrease of $(9.3) billion [(16.7)%] from FY 2014. This decrease was attributable to the decreases in the program costs discussed below:

Figure 4: Net Cost of Operations by Program for FY 2015 and FY 2014



[1] The Department's Net Cost of Programs include costs not assigned to specific programs, which were $0.02 billion and $0.03 billion for FY 2015 and FY 2014, respectively.

Income Maintenance programs continue to comprise the major portion of departmental costs. These programs include unemployment benefits paid to covered individuals who are out of work and seeking employment, as well as payments to individuals who qualify for disability benefits due to injury or illness suffered on the job, and the costs to administer these programs. Income maintenance net costs were $37.6 billion in FY 2015, a decrease of (20.0)% from FY 2014. This decrease was primarily due to decreases in unemployment benefits provided under existing legislation, and lower levels of unemployment as compared to FY 2014.

Employment and Training programs comprise DOL's second largest cost. These programs are designed to help individuals deal with the loss of a job, identify new occupational opportunities, find training to acquire different skills, start a new job, and make long-term career plans, as well as connect employers to workers with the skills they need. Employment and training costs were $6.2 billion in FY 2015, a decrease of (1.6)% from FY 2014. This decrease was due to reductions in appropriated amounts for the 2015 program year for various programs.

Budgetary Resources

The Statements of Budgetary Resources report the budgetary resources available to DOL to effectively carry out the activities of the Department during FY 2015 and FY 2014, as well as the status of these resources at the end of each fiscal year. During FY 2015, the Department's appropriations decreased $(12.5) billion [(21.1)%] primarily due to decreases in transfers to the UTF for Emergency Unemployment Compensation due to decrease in benefits costs; also, the Department's borrowing authority decreased $(2.7) billion [(100.0)%], which is consistent with the lower balance of intra-governmental debt at the end of FY 2015. The Department had total obligations incurred of $54.7 billion in FY 2015, a decrease of $(15.2) billion [(21.8)%] from FY 2014. This decrease was primarily due to decreases in total obligations incurred for income maintenance programs as noted above.

Social Insurance and the Black Lung Disability Benefit Program

FASAB has classified the Black Lung Disability Benefit Program as a social insurance program that is required to report a Statement of Social Insurance (SOSI) and a Statement of Changes in Social Insurance Amounts (SCSIA) for the Black Lung Disability Trust Fund (BLDTF); these are sustainability statements.

The SOSI reports for the projection period (which begins on September 30 of the reporting year and ends September 30, 2040), for all current and future participants, the actuarial present value of future benefits and the present value of estimated future administrative costs, less the present value of estimated future coal excise tax income. For FY 2011 through FY 2015 as presented in the SOSI, the present value of the estimated future coal excise tax income has been greater than the sum of the actuarial present value of the estimated future benefits and the present value of estimated future administrative costs. This amount is also called the open and closed group measure.

Figure 5: Black Lung Disability Benefit Program - Table of Key Measures for FY 2015 and FY 2014

Black Lung Disability Benefit Program – Table of Key Measures

(Dollars in millions)	2015	2014	Change Amount	Change Percent
Financial position				
Total assets	$ 54.9	$ 129.4	$ (74.5)	(57.6)%
Less: total liabilities	(5,699.1)	(5,884.7)	$ 185.6	3.2%
Net position (assets net of liabilities)	$ (5,644.2)	$ (5,755.3)	$ 111.1	1.9%
Costs and changes in net position				
Net cost of operations	$ (382.8)	$ (388.6)	$ 5.8	1.5%
Total financing sources	493.9	527.5	$ (33.6)	(6.4)%
Net change of cumulative results of operations	$ 111.1	$ 138.9	$ (27.8)	(20.0)%
Social insurance				
Open and closed group measure, beginning of year	$ 4,482.8	$ 4,620.3	$ (137.5)	(3.0)%
Open and closed group measure, end of year	$ 1,596.7	$ 4,482.8	$ (2,886.1)	(64.4)%

The increase in the net cost of operations for the year ended September 30, 2015 of $5.8 million [1.5%] from FY 2014 was mainly due to lower benefit and interest costs. FY 2015 total financing sources decreased $(33.6) million [(6.4)%] from FY 2014 mainly due to decreases in tax collections. The resulting net change of cumulative results of operations for FY 2015 was $111.1 million, a decrease of $(27.8) million [(20.0)%] from FY 2014.

Total assets decreased $(74.5) million [(57.6)%] at the end of FY 2015 primarily due to a decrease in the Funds with U.S. Treasury balance from repayments of debt. Liabilities decreased $185.6 million [3.2%] at the end of FY 2015 due to repayments of debt. The resulting net position (deficit) decreased $111.1 million at the end of FY 2015.

At the end of FY 2015, the open and closed group measure decreased by $(2,886.1) million [(64.4)%] primarily due to projected lower coal excise tax revenues which reflect, among other things, regulation pursuant to the Clean Power Plan, as well as higher administrative costs.

At the end of FY 2014, the open and closed group measure decreased $(137.5) million [(3.0)%] primarily due to changes in projected coal excise tax revenues, future benefits costs, and interest rates used for discounting cash flows.

The total of open and closed group measure plus fund assets as of September 30, 2015, of $1,651.6 million represents a projected net positive cash flow that may be used to liquidate the liabilities of the BLDTF, which were $5,699.1 million as of September 30, 2015.

Refer to Notes 1-W and 21, and Required Supplementary Information (RSI) for additional information on the SOSI, including the summary section; SCSIA; the Black Lung Disability Benefit Program; its reported activity and balances; and projections and sensitivity analysis in constant dollars through 2040.

Limitations on the Principal Financial Statements

As required by the Government Management Reform Act of 1994 (31 USC 3515(b)), the principal financial statements report the Department's financial position and results of operations. While the statements have been prepared from the Department's books and records in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to 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.

Reducing Improper Payments

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

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA),[1] requires federal agencies to identify and reduce IP and report annually on their efforts according to guidance promulgated by the Office of Management and Budget in OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*. The Department performs testing to estimate the rates and amounts of IP, establishes IP reduction targets in accordance with OMB guidance, and develops and implements corrective actions.

IPERA Section 2(a) requires agency heads to "review all programs to identify risk susceptibility for improper payments every three years." The last Department-wide risk assessment was performed in FY 2014 based on criteria prescribed in IPERA Section 2(a)3(b):

> **Scope.** — In conducting the reviews … the head of each agency shall take into account those risk factors that are likely to contribute to a susceptibility to significant improper payments, such as —
> (i) Whether the program or activity reviewed is new to the agency;
> (ii) The complexity of the program or activity reviewed;
> (iii) The volume of payments made through the program or activity reviewed;
> (iv) Whether payments or payment eligibility decisions are made outside of the agency, such as by a state or local government;

[1] IPIA, Public Law (P.L.) 107-300 (2002); IPERA, P.L. 111-204 (2010); IPERIA, P.L. 112-248 (2013). All three laws are codified at 31 U.S.C. 3321 note.

(v) Recent major changes in program funding, authorities, practices, or procedures;
(vi) The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate; and
(vii Significant deficiencies in the audit report of the agency or other relevant management findings that might hinder accurate payment certification.

Based on DOL's FY 2014 department-wide risk assessment, two DOL Programs, the Unemployment Insurance (UI) and the Federal Employees' Compensation Act (FECA) benefit programs, are required to provide IP rate estimates in FY 2015, based on the susceptibility threshold in statute:

- Either potential estimated improper payments greater than 1.5% of outlays and greater than $10 million[1], or
- Potential estimated improper payments of more than $100 million, regardless of percentage[2].

One DOL program area, the Workforce Investment Act (WIA) of 1998 Title I programs (WIA Programs), provided estimates based on inclusion in Exhibit 57B, Section 57, of OMB Circular A-11 (2002)[3]. Although Section 57 was rescinded in 2003, these programs continued to provide IP information beyond that which is required by IPIA.

On July 22, 2014, the President signed the Workforce Innovation and Opportunity Act (WIOA) into law. WIOA supersedes the Workforce Investment Act of 1998. Funding under WIA ended on June 30, 2015. The Department remains strongly committed to mitigating IPs for all DOL programs authorized under WIOA.

In addition to these programs, DOL was required to report an IP estimate for funds provided in response to Hurricane Sandy through the Disaster Relief Appropriations Act (Public Law 113-2), signed on January 29, 2013. Section 904(b) of the Act provides that all programs and activities receiving funds under this Act shall be deemed to be "susceptible to significant improper payments" for the purposes of IPIA, notwithstanding IPIA section 2(a)." All DOL Hurricane Sandy funds were outlayed in FY 2014, therefor there is no Hurricane Sandy related reporting for FY 2015.

DOL has implemented various corrective actions to address the causes and to reduce IP in these programs. Like many other Federal agencies, the Department faces challenges in meeting its IP reduction and recovery targets, particularly with programs that are sensitive to economic fluctuations and natural disasters.

Furthermore, meeting IP reduction and recovery targets for programs such as UI are contingent upon the cooperation and support of state agencies and other outside stakeholders who are responsible for the day-to-day administration and management of these programs' payments and activities. As compared to other Federal benefit programs, a variety of complexities related to administration of the UI program create significant challenges in controlling IP. These complexities include state unemployment insurance laws under which the program is administered; structural impediments such as the legal requirement to pay UI benefits "when due" causing states to make payments before all eligibility information has been received and verified; aging IT systems; and varying state resource capacities.

[1] IPERA §2(a)(3)(A)(ii)(I)
[2] IPERA §2(a)(3)(A)(ii)(II)
3 In July 2001, OMB issued Section 57, *Information on Erroneous Payments*, as part of the 2002 revision to Circular A-11, *Preparation, Submission, and Execution of the Budget*. Exhibit 57B of Section 57 listed programs required ". . . to provide improper payment data, assessments and action plans with initial budget submission beginning in 2003." All "benefit programs" exceeding obligations of $2 billion were included on Exhibit 57B.

DOL Programs Required to Submit Improper Payments Estimates

Program	Requirement Based on...	Estimated Rate	FY 15	FY 14
Unemployment Insurance (UI) [1]	Risk analysis	Improper Payment Rate (Overpayments plus Underpayments):	10.73%	11.57%
		Overpayment Rate	10.29%	11.16%
		Underpayment Rate	0.44%	0.41%
		Net Improper Payment Rate (Improper Payment Rate Minus Amounts Recovered by States)	7.28%	8.65%
		Improper Payment Rate Minus "Work Search" Errors	7.95%	7.85%
Federal Employees' Compensation Act (FECA) [1]	Risk analysis	Improper Payment Rate (Overpayments plus Underpayments)	2.87%	2.5%
Workforce Investment Act (WIA) Title I Programs	Inclusion in Exhibit 57B of OMB Circular A-11 (2002)	Rate of funds with Possible Eligibility Issues under Single Audit Act	<0.88%	<1.5%

Note: [1] Covers the 12-month period from July 1, 2014 through June 30, 2015.

See the **Improper Payments Reporting Details** in the *Other Information* section of this report for detailed information on payment integrity.

Financial Management Systems and Strategy

The Department strives to maintain and enhance financial management systems, processes, and controls that ensure financial accountability and transparency, provide financial management data and information to decision makers, and comply with Federal laws, regulations, and policy. The New Core Financial Management System (NCFMS) is the system of record for the Department's financial activities in supporting accountability and transparency.

During FY 2015, the Department used the Enterprise Service Center (ESC), a franchise fee chartered organization within the Federal Aviation Administration (FAA) an independent agency of the Department of Transportation (DOT), to operate and maintain NCFMS. ESC already provides similar services through its standard financial management system and is an approved Federal Shared Service Provider (FSSP) listed within the Federal Financial Management Services Catalog (FMSC) published by Department of the Treasury's Office of Financial Innovation and Technology (OFIT). During the year, ESC completed modernization projects necessary to ensure ongoing operations for NCFMS. The Department observes that these projects have contributed to the stable transition and operations by ESC. NCFMS is operated and maintained in conformance with the service level agreement between the Department and ESC, and at a predictable cost.

Using Treasury OFIT Federal Agency Migration Evaluation (FAME) process the Department selected ESC as its preferred FSSP and began the FAME discovery process to determine the Department's fit, gaps, estimated implementation schedule, and cost to migrate to the ESC standard financial system listed within the FMSC. The Department's FAME risks are reduced by having the same FSSP as the operator of the DOL NCFMS and the target financial management systems. The Department's FAME activities align with the Financial Management Line of Business (FMLoB) strategy to consolidate financial management systems within approved federal shared services providers.

Management Assurances

Federal Managers' Financial Integrity Act of 1982

The Department of Labor's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). DOL conducted an assessment of its internal controls over the effectiveness and efficiency of operations as well as compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, DOL can provide reasonable assurance that its internal controls over operations are operating effectively and efficiently and are in compliance with applicable laws and regulations as of September 30, 2015. A material weakness was identified during the FY 2015 financial statement audit related to lack of sufficient information technology controls over key financial support systems. DOL agrees with the financial statement audit material weakness and expects to implement corrective actions in FY 2016.

In addition, DOL conducted an assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, DOL can provide reasonable assurance that its internal controls over financial reporting as of June 30, 2015, were operating effectively. No material weaknesses were found in the design or operation of the internal control over financial reporting, except for the subsequent auditor identified material weakness related to lack of sufficient information technology controls over key financial support systems. DOL is also in conformance with Section 4 of FMFIA.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are substantially in compliance with Federal financial management systems requirements, Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. All DOL financial management systems substantially comply with FFMIA as of September 30, 2015.

Compliance with the Antideficiency Act

DOL completed its investigation in FY 2015 related to obligations and expenditure of funds in excess of amounts appropriated for the Office of Job Corps (OJC), Job Corps Operations account. The investigation resulted in two confirmed violations of the *Antideficiency Act* — one impacting Program Year (PY) 2009 (July 1, 2009 through June 30, 2010) appropriations and the other impacting PY 2010 (July 1, 2010 through June 30, 2011) appropriations. The violations were appropriately reported. The Department continues to develop and implement appropriate policies and procedures to prevent Antideficiency Act violations.

Thomas E. Perez Secretary of Labor	Christopher P. Lu Deputy Secretary of Labor
Geoffrey Kenyon Principal Deputy CFO	T. Michael Kerr Assistant Secretary for Administration and Management

November 19, 2015

Financial Section

Message from the Chief Financial Officer

For FY 2015, I'm proud to announce the Department of the Labor (DOL) received an unmodified opinion on its consolidated financial statements for the 19th year. This achievement is a reflection of DOL's commitment to excellence in financial management, transparency, and accountability. The three cornerstones of the Office of the Chief Financial Officer (OCFO); demonstrating financial stewardship, providing outstanding customer service, and enhancing financial performance, operations, and systems, are all reflected by delivering quality reporting to uphold our accountability. The Department's award-winning Agency Financial Report (AFR) provides extensive program, performance, and financial information, which demonstrates our never ending commitment to sound financial stewardship.

Geoffrey Kenyon
Principal Deputy Chief
Financial Officer
Department of Labor

OCFO's Mission

"The Office of Chief Financial Officer (OCFO) is responsible for the financial leadership of DOL and its primary duty is to uphold strong financial management and accountability while providing timely, accurate, and reliable financial information and enhancing internal control."

OCFO AT A GLANCE

In the last fiscal year, DOL has faced numerous challenges. In late FY 2014, our financial management system provider collapsed into bankruptcy. This presented an enormous challenge to the Department. DOL led a multi-agency effort to secure these legacy systems, reintegrate them for continued use, and begin the process of transition to a new shared services provider. While the dangers of a sudden system failure have passed, we have continued to monitor the situation to ensure strong financial stewardship. We know the transfer of financial data and incorporating completely new systems will require constant focus and be a strain to our resources, both in terms of budget and human capital.

This will be a difficult task requiring the concerted efforts of the entire Department and numerous federal partner agencies. As we move along in this process, I want to take this moment to recognize the herculean efforts of the Department's staff who overcame these challenges while at the same time completing year-end close-outs; thus ensuring the continued integrity of our financial reporting during the busiest time of the year. This was an amazing feat and testament to the hard work of DOL staff.

LOOKING FORWARD

While we continue to make significant progress there is still more work to be done in the area of information technology general controls over key financial and support systems as identified by our independent auditors as a material weakness. The Department recognizes the importance of implementing adequate safeguards to protect information and information systems and will endeavor to eliminate this weakness in FY 2016. In the coming fiscal year we also look forward to taking on new challenges, risks, and opportunities. DOL has begun ramping up efforts to comply with the Digital Accountability and Transparency Act (DATA Act). The DATA Act increases fiscal transparency by making Federal spending data accessible, searchable and reliable. It will also afford Federal agencies and taxpayers the opportunity to better understand the impact of Federal funds in improving the lives of the American public. This large undertaking is set to be up and running by May 2017 and will be challenging in terms of time and resources on the Department.

In FY 2015, OCFO was successful in planning and procurement activities related to the implementation of the 2nd Generation Government-wide Electronic Travel System (ETS2). ETS2 builds on the success of the first generation ETS, enabling the Department in its mission to ensure a strengthened travel operations environment, complete with a robust funds management platform, comprehensive reporting capabilities, and improved internal controls. We expect implementation of ETS2 in FY 2016 will result in travel efficiencies while delivering a transparent, easy to use travel service and system.

I am proud of the Department's financial management accomplishments in FY 2015 and commend the efforts of the Department’s financial and accounting staff. Their high standards of professionalism, dedication to customer service, and pride in financial stewardship have helped this Department continue to achieve results on behalf of workers. We will continue to work hard to serve the American people in an accountable and transparent manner.

Thank you for taking the time to review this report; we hope that you find this document both informative and helpful.

Geoffrey Kenyon
Principal Deputy Chief Financial Officer
November 19, 2015

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Secretary and Inspector General
U.S. Department of Labor

Report on the Financial Statements

We have audited the accompanying financial statements of the U.S. Department of Labor (DOL), which comprise the consolidated financial statements and the sustainability financial statements. The consolidated financial statements comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of net cost and changes in net position and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

The sustainability financial statements comprise the statements of social insurance as of September 30, 2015, 2014, 2013, 2012, and 2011; and the statements of changes in social insurance amounts for the years ended September 30, 2015 and 2014; and the related notes to the sustainability financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Labor as of September 30, 2015 and 2014, its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted account principles.

Also, in our opinion, the sustainability financial statements referred to above present fairly, in all material respects, the U.S. Department of Labor's social insurance information as of September 30, 2015, 2014, 2013, 2012, and 2011 and its changes in social insurance amounts for the years ended September 30, 2015 and 2014, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Notes 1-W and 1-Y to the financial statements, the sustainability financial statements are based on management's assumptions. These sustainability financial statements present the actuarial present value of DOL's future expenditures to be paid to or on behalf of participants, the present value of estimated future income to be received from excise taxes, and the present value of estimated future expenditures for administrative costs during a projection period ending in 2040. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligations as they come due. The statements of social insurance and changes in social insurance amounts are based on income and benefit formulas in current law and assume that scheduled benefits will continue after the related trust fund is exhausted. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable. In preparing the sustainability financial statements, management considers and selects assumptions and data that it believes provide a reasonable basis to illustrate whether current law or policy is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures, and sustainability. Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material. Our opinion is not modified with respect to this matter.

Other Matters

Management has elected to reference to information on websites or other forms of interactive data outside the *Agency Financial Report* to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly, we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information in the Message from the Secretary of Labor, Message from the Chief Financial Officer, and Other Information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Compliance with *Federal Financial Management Improvement Act of 1996* (FFMIA)

We have examined DOL's compliance with the following requirements of Section 803(a) of FFMIA as of September 30, 2015:

- Federal financial management systems requirements;
- Applicable Federal accounting standards; and
- The United States Government Standard General Ledger at the transaction level.

Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on DOL's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and, accordingly, included examining, on a test basis, evidence supporting DOL's compliance with the requirements of Section 803(a) of FFMIA and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on DOL's compliance with specified requirements.

In our opinion, the U.S. Department of Labor complied, in all material respects, with the aforementioned requirements as of September 30, 2015, based on the criteria set forth in OMB Circular No. A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2015, we considered DOL's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DOL's internal control. Accordingly, we do not express an opinion on the effectiveness of DOL's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in Exhibit I, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Exhibit I to be a material weakness.

DOL management did not report the material weakness *Lack of Sufficient Information Technology General Controls over Key Financial and Support Systems* in its *Management Assurances*, included in the Management's Discussion and Analysis section of the accompanying *Agency Financial Report*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DOL's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, exclusive of those referred to in the Report on Compliance with *Federal Financial Management Improvement Act of 1996* (FFMIA), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, 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 disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02, and is described in Exhibit II.

DOL's Responses to Findings

DOL's responses to the findings identified in our audit are described in Exhibits I and II. DOL's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of DOL's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington D.C.
November 19, 2015

1. Lack of Sufficient Information Technology General Controls over Key Financial and Support Systems

Management charged with oversight and accountability for the U.S. Department of Labor (DOL) information technology (IT) control environment had not taken appropriate action to address ongoing pervasive deficiencies that had been identified in multiple information systems and reported to management as a material weakness or significant deficiency since fiscal year (FY) 2003. This control environment included both the general and application controls that support the completeness, accuracy, and validity of financial information. Additionally, management did not have sufficient procedures in place to ensure the performance of IT controls that functioned effectively in the past did not deteriorate. In summary, during our FY 2015 testing of significant DOL financial and support systems in the four DOL agencies responsible for them, we identified 28 new control deficiencies, 34 previously-reported deficiencies that were not corrected or not corrected timely, and 25 previously-reported deficiencies for which DOL agencies completed sufficient corrective action in FY 2015.

We classified the deficiencies identified into the following categories: account management, system access settings, system audit log reviews, configuration management, and vulnerability management.

The first two categories summarize the identified deficiencies related to controls that were designed to help prevent unauthorized access to IT systems. Control deficiencies related to account management increase the risk that current employees, separated employees, and/or contractors may obtain unauthorized or inappropriate access to financial systems and/or data. Such access could lead to unauthorized activities and/or inappropriate disclosures of sensitive data. System access setting control deficiencies may be exploited, in either a singular fashion or in combination, by a malicious user, which may affect the confidentiality, integrity, and/or availability of DOL systems and data. The specific deficiencies identified in these two categories were as follows:

Account Management

- Certain user accounts were not timely removed for separated users, and certain separated users had active system accounts;
- Personnel activities were not consistently controlled through effective segregation of incompatible duties and responsibilities;
- Account management controls were not consistently performed, as evidenced by roles that were improperly authorized or provisioned; incomplete access re-certifications; and incomplete or missing access requests, rules of behavior, non-disclosure agreements, and modification forms; and
- Shared, generic, and multiple user accounts for the same user existed on one DOL system.

System Access Settings

- Inactive accounts were not consistently disabled in a timely manner; and
- Certain password settings did not comply with the Office of the Chief Information Officer Computer Security Handbook.

System Audit Logs Reviews

The system audit logs reviews category represents controls designed to detect unauthorized access to IT systems. Although DOL had certain detective controls in place to partially mitigate the aforementioned account management and system access settings risks, we identified certain audit logs were not generated or reviewed timely. The lack of effective and timely system audit log reviews may allow for unauthorized or inappropriate activities to go undetected by management for lengthy periods of time.

Configuration Management

Controls related to configuration management are designed to provide reasonable assurance that changes to information system resources are authorized and systems are configured and operated securely and as intended. Although DOL had designed controls to establish accountability and responsibility for configuration management, including monitoring and tracking of changes, we identified certain segregation of incompatible duties weaknesses in the development and production environments and instances where configuration changes and patches did not follow the DOL configuration management process. The lack of strong change controls may allow for unauthorized or inappropriate changes to be applied and go undetected by management, resulting in lower assurance that the information system will operate as intended and that the data is reliable, valid, and complete.

Vulnerability Management

Controls related to vulnerability management are designed to prevent weaknesses in IT systems from being exploited. Such controls include proactively monitoring system vulnerabilities, timely patching related security issues, and configuring IT systems in compliance with baseline security requirements. During our FY 2015 audit procedures, we identified numerous critical and high-risk operating system patches and configurations that were not implemented.

Vulnerabilities that are not remedied in a timely manner may result in information leaks or system threats. These vulnerabilities may also disrupt normal system processes, allow inappropriate access, prevent updates from being implemented, and jeopardize the integrity of financial information. Additionally, vulnerabilities that are not remedied or mitigated can present an opportunity to circumvent account management, system access settings, and audit logging controls.

Collectively, the aforementioned IT control deficiencies pose a significant risk to the integrity of DOL’s data, which could ultimately impact DOL’s ability to accurately and timely perform its financial reporting duties. The specific nature of these deficiencies, their specific causes, and the systems impacted by them, have been communicated separately to management. These deficiencies were the result of issues in the design, implementation, or monitoring of departmental procedures and controls. DOL agencies have not invested the necessary level of effort and resources to perform root cause analyses to address issues previously reported, and to ensure that certain IT policies and procedures are developed, implemented, and operating effectively.

The National Institute of Standards and Technology Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, provides federal information systems standards and guidelines for controls that include, but are not limited to, the controls in which deficiencies were identified.

To address the deficiencies noted above, we recommend the Chief Information Officer:

a) Conduct appropriate root cause analyses over previously identified issues;
b) Coordinate efforts among the DOL agencies to develop procedures and controls to address account management, system access settings, system audit log reviews, configuration management, and vulnerability management control deficiencies in financial and support systems;
c) Monitor the agencies' progress to ensure that procedures and controls are appropriately implemented and maintained; and
d) Coordinate with the applicable agencies to ensure that sufficient resources are available to develop, implement, and monitor the procedures and controls that address account management, system access settings, system audit log reviews, configuration management, and vulnerability management control deficiencies in financial and support systems.

Management's Response: The Department recognizes and prioritizes the importance of implementing adequate safeguards to protect information and information systems. To secure the way users gain access to the Department's networks, management provided resources to enable the Office of the Chief Information Officer (OCIO) Identity and Access Management (IAM) program to successfully deploy a Public Key Infrastructure (PKI) across the DOL enterprise enabling all DOL employees the ability to logon to the network with their PIV cards in Q4 FY 2014. The Department was able to quickly build upon this success and adjust its IAM project schedule to accelerate the enforcement of PIV Card logon in response to the Federal Chief Information Officer's Cyber Sprint directive. To date, the Department has enforced PIV card logon for 96% of its privileged users and 93% of its general users. To strengthen the automation of its Information Security Continuous Monitoring (ISCM) program, the Department deployed four additional security monitoring tools expanding the Department and its agencies' ability to identify, detect, and in some instances remediate technical vulnerabilities on a near real-time basis resulting in a 77% decrease in vulnerabilities across DOL systems.

Management is in full agreement with the recommendations outlined in the report and concurs that there are opportunities to strengthen the identified security control procedure deficiencies. The OCIO will immediately enhance its engagement with and oversight of DOL Agency risk management programs and will accelerate its release schedule of the FY 2016 Priority Cybersecurity Action Dashboard (PCAD). The PCAD, scheduled for release in December, will cover high priority security items that require Agency attention, including: outstanding security vulnerabilities and patches, outstanding OIG-identified security concerns, and deferred Plans of Actions and Milestones targets. The Dashboard will outline recommended corrective actions and will be monitored, updated and released on a continuous basis. Additionally, DOL executive management and IT leadership will receive routine briefings outlining Agency progress in addressing the items outlined in the PCAD.

The OCIO will also require agencies to develop and implement a Corrective Action Plan to address the specific security control deficiencies outlined in the audit report. Agencies will be required to provide written justification for any corrective actions that cannot be completed within 90 days. The OCIO will develop an Enterprise Corrective Action Plan outlining short and long term strategies to identify the root cause of the repetitive occurrence of the security control procedure deficiencies and to design enterprise solutions to enable the agencies to systematically address weaknesses in their security control implementation.

In addition, and building on the technical security programs reviewed above, the OCIO will perform a comprehensive review of DOL computer security policies and procedures to identify and modify any areas requiring improvements in FY 2016. The OCIO will continue implementation of its ISCM program to automate additional DOL ISCM capabilities in alignment with the Department's ISCM strategy. Lastly, the OCIO IAM team will continue its efforts to acquire and begin the deployment of an identity management solution with the ultimate goal of automating DOL's account provisioning and de-provisioning processes to address the outstanding account management issues.

Auditors' Response: Follow-up procedures will be conducted in FY 2016 to determine whether corrective actions have been developed and implemented.

1. Noncompliance with the *Antideficiency Act*

In FY 2015, DOL completed its investigation related to obligations and expenditure of funds in excess of amounts appropriated for the Office of Job Corps (OJC), Job Corps Operations account and reported the results in accordance with the *Antideficiency Act* on November 10, 2015. The investigation resulted in two confirmed violations of the *Antideficiency Act* — one impacting Program Year (PY) 2009 (July 1, 2009 through June 30, 2010) appropriations and the other impacting PY 2010 (July 1, 2010 through June 30, 2011) appropriations.

The PY 2009 violation was caused by lack of sufficient controls over financial reporting and budgetary accounting, including inadequate fund control procedures as previously reported by DOL's Office of Inspector General and the Government Accountability Office. At the time that the PY 2010 violation occurred, OJC lacked proper controls to prevent, or detect and correct, improper generation and electronic processing of a contract action with an incorrect accounting code.

Because of the lack of sufficient controls over financial reporting and budgetary accounting during FYs 2009 through 2011, DOL violated the *Antideficiency Act*. The two violations identified above amounted to approximately $6.1 million of obligations and expenditures in excess of amounts appropriated.

United States Code, Title 31, Section 1341, Limitations on expending and obligating amounts, states:

> (a)(1)An officer or employee of the United States Government or the District of Columbia government may not –
>
> (A) make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation.

To address the issues noted above, we recommend the Assistant Secretary for Employment and Training continue to develop and implement appropriate policies and procedures to prevent future violations.

Management's Response: The Department continues to develop and implement appropriate policies and procedures to prevent Anti-deficiency Act violations. For new initiatives impacting the Office of Job Corps, the Employment and Training Administration (ETA) developed a Standard Operating Procedure (SOP) for use of prior year funds clearly stating the correct action and role of each party involved such as the Budget Analyst, first-line Supervisor, Division Director and the ETA Comptroller. The SOP requires the Comptroller to approve prior year obligations that are not for standard contract close-out expenses and incentive fee payments. Along with the SOP, ETA has written a policy memo reconfirming the proper use of prior year funds and official exceptions to the rule. ETA also mandated an all-day training session on internal controls emphasizing each staff's role in the review and approval of procurement actions. These new safeguards and policies will strengthen internal controls and improve the financial operation of ETA.

Auditors' Response: Follow-up procedures will be conducted in FY 2016 to determine whether corrective actions have been developed and implemented.

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 OMB Circular No. A-136, *Financial Reporting Requirements*. The responsibility for the integrity of the financial information included in these statements rests with management of the Department. The audit of DOL's principal financial statements was performed by KPMG LLP. The auditors' report accompanies the principal financial statements.

The Department's principal financial statements for FY 2015 and 2014 consist of the following:

- The **Consolidated Balance Sheets**, which presents as of September 30, 2015 and 2014, those resources owned or managed by DOL that are available to provide future economic benefits (assets); amounts owed by DOL that will require payments from those resources or future resources (liabilities); and residual amounts retained by DOL, comprising the difference (net position).

- The **Consolidated Statements of Net Cost**, which presents the net cost of DOL operations for the years ended September 30, 2015 and 2014. DOL's net cost of operations includes the gross costs incurred by DOL less any exchange revenue earned from DOL activities. The classification of gross cost and exchange revenue by program and program agency is presented in Note 15 to the consolidated financial statements.

- The **Consolidated Statements of Changes in Net Position**, which presents the change in DOL's net position resulting from the net cost of DOL operations, budgetary financing sources other than exchange revenue, and other financing sources for the years ended September 30, 2015 and 2014.

- The **Combined Statements of Budgetary Resources**, which presents the budgetary resources available to DOL, change in obligated balance, and budget authority and net outlays of budgetary resources for FYs 2015 and 2014; and the status of these resources as of September 30, 2015 and 2014.

- The **Statements of Social Insurance**, which presents the net present value of projected cash inflows and cash outflows of the Black Lung Disability Trust Fund (BLDTF) as of September 30, 2015, 2014, 2013, 2012, and 2011; the net present value of these cash flows is also known as the open and closed group measure. The summary section presents the total of open and closed group measure plus fund assets (Funds with U.S. Treasury and receivables).

- The **Statements of Changes in Social Insurance Amounts**, which presents the net change in the open and closed group measure of the BLDTF for the years ended September 30, 2015 and 2014, and provides information about the change.

CONSOLIDATED BALANCE SHEETS
As of September 30, 2015 and 2014
(Dollars in Thousands)

	2015	2014
ASSETS		
Intra-governmental		
Funds with U.S. Treasury (Note 1-C and 2)	$ 11,568,982	$ 13,004,346
Investments (Note 1-D and 3)	44,644,478	36,151,884
Accounts receivable (Note 1-E and 4)	5,616,399	5,618,751
Advances (Note 1-G and 6)	11,831	3,410
Total intra-governmental	61,841,690	54,778,391
Accounts receivable, net of allowance (Note 1-E and 4)	1,747,211	1,888,592
Property, plant and equipment, net of accumulated depreciation (Note 1-F and 5)	1,294,528	1,290,869
Advances (Note 1-G and 6)	1,343,733	2,162,421
Total assets	$ 66,227,162	$ 60,120,273
LIABILITIES AND NET POSITION		
Liabilities (Note 1-I and 12)		
Intra-governmental		
Accounts payable	$ 22,324	$ 19,444
Debt (Note 1-J and 8)	18,527,186	26,695,818
Other liabilities (Note 9)	348,713	259,716
Total intra-governmental	18,898,223	26,974,978
Accounts payable	259,334	276,003
Accrued benefits (Note 1-K and 10)	1,301,844	1,220,941
Future workers' compensation benefits (Note 1-L and 11)	1,479,265	1,495,446
Energy employees occupational illness compensation benefits (Note 1-M)	14,832,013	15,970,176
Accrued leave (Note 1-N)	115,177	122,368
Other liabilities (Note 9)	850,517	944,596
Total liabilities	37,736,373	47,004,508
Contingencies (Note 13)		
Net position (Note 1-R)		
Funds from dedicated collections		
Cumulative results of operations (Note 21)	27,153,317	11,304,501
All other funds		
Unexpended appropriations	7,991,121	9,272,731
Cumulative results of operations	(6,653,649)	(7,461,467)
Total net position - all other funds	1,337,472	1,811,264
Total net position	28,490,789	13,115,765
Total liabilities and net position	$ 66,227,162	$ 60,120,273

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30, 2015 and 2014
(Dollars in Thousands)

	2015	2014
NET COST OF OPERATIONS (Note 1-S and 15)		
CROSSCUTTING PROGRAMS		
Income maintenance		
Gross Cost	$ 41,384,332	$ 50,757,490
Less earned revenue	(3,757,686)	(3,806,525)
Net Program Cost	37,626,646	46,950,965
Employment and training		
Gross Cost	6,245,765	6,267,289
Less earned revenue	(13,496)	(251)
Net Program Cost	6,232,269	6,267,038
Labor, employment and pension standards		
Gross Cost	864,880	785,094
Less earned revenue	(11,834)	(4,406)
Net Program Cost	853,046	780,688
Worker safety and health		
Gross Cost	1,055,674	1,046,288
Less earned revenue	(4,432)	(4,560)
Net Program Cost	1,051,242	1,041,728
OTHER PROGRAMS		
Statistics		
Gross Cost	645,560	635,677
Less earned revenue	(28,823)	(17,196)
Net Program Cost	616,737	618,481
COSTS NOT ASSIGNED TO PROGRAMS		
Gross Cost	17,825	30,394
Less earned revenue not attributed to programs	(572)	(296)
Net cost not assigned to programs	17,253	30,098
Net cost of operations	$ 46,397,193	$ 55,688,998

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2015 and 2014
(Dollars in Thousands)

	2015 Consolidated			2014 Consolidated		
	Funds from Dedicated Collections	All Other Funds	Total	Funds from Dedicated Collections	All Other Funds	Total
Cumulative results of operations, beginning	$ 11,304,501	$ (7,461,467)	$ 3,843,034	$ (5,038,568)	$ (7,932,846)	$ (12,971,414)
Budgetary financing sources (Note 1-T)						
Appropriations used	-	9,964,324	9,964,324	-	15,624,282	15,624,282
Non-exchange revenue (Note 16)						
Employer taxes	49,628,888	-	49,628,888	53,150,871	-	53,150,871
Interest	1,194,863	-	1,194,863	1,206,326	-	1,206,326
Reimbursement of unemployment benefits and other	1,902,743	7,389	1,910,132	2,171,480	5,820	2,177,300
Total non-exchange revenue	52,726,494	7,389	52,733,883	56,528,677	5,820	56,534,497
Transfers without reimbursement (Note 17)	(3,682,768)	3,925,290	242,522	1,039,871	(816,448)	223,423
Other financing sources (Note 1-U)						
Imputed financing from costs absorbed by others	2,868	105,537	108,405	3,284	117,263	120,547
Transfers without reimbursement (Note 17)	-	4,544	4,544	-	6,498	6,498
Other	-	149	149	-	(5,801)	(5,801)
Total financing sources	49,046,594	14,007,233	63,053,827	57,571,832	14,931,614	72,503,446
Net cost of operations	(33,197,778)	(13,199,415)	(46,397,193)	(41,228,763)	(14,460,235)	(55,688,998)
Net change	15,848,816	807,818	16,656,634	16,343,069	471,379	16,814,448
Cumulative results of operations, end of year	27,153,317	(6,653,649)	20,499,668	11,304,501	(7,461,467)	3,843,034
Unexpended appropriations, beginning	-	9,272,731	9,272,731	-	9,346,932	9,346,932
Budgetary financing sources (Note 1-T)						
Appropriations received (Note 18-F)	-	10,450,010	10,450,010	-	16,856,873	16,856,873
Appropriations used	-	(9,964,324)	(9,964,324)	-	(15,624,282)	(15,624,282)
Appropriations transferred	-	(294)	(294)	-	-	-
Other adjustments	-	(1,767,002)	(1,767,002)	-	(1,306,792)	(1,306,792)
Subtotal	-	(1,281,610)	(1,281,610)	-	(74,201)	(74,201)
Unexpended appropriations, end of year	-	7,991,121	7,991,121	-	9,272,731	9,272,731
Net position	$ 27,153,317	$ 1,337,472	$ 28,490,789	$ 11,304,501	$ 1,811,264	$ 13,115,765

The accompanying notes are an integral part of these statements.

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the Years Ended September 30, 2015 and 2014
(Dollars in Thousands)

(Note 18)	2015	2014
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	$ 4,611,740	$ 4,655,078
Recoveries of prior year unpaid obligations	564,577	436,816
Other changes in unobligated balance	(1,373,066)	(299,604)
Unobligated balance from prior year budget authority, net	3,803,251	4,792,290
Appropriations (discretionary and mandatory)	46,890,818	59,435,713
Borrowing authority (discretionary and mandatory)	-	2,700,000
Spending authority from offsetting collections (discretionary and mandatory)	7,442,482	7,604,889
Total budgetary resources	$ 58,136,551	$ 74,532,892
STATUS OF BUDGETARY RESOURCES		
Obligations incurred	$ 54,689,093	$ 69,921,152
Unobligated balance, end of year		
Apportioned	2,767,119	2,979,755
Exempt from apportionment	41,804	46,795
Unapportioned	638,535	1,585,190
Total unobligated balance, end of year	3,447,458	4,611,740
Total budgetary resources	$ 58,136,551	$ 74,532,892
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1	$ 14,053,217	$ 14,992,121
Obligations incurred	54,689,093	69,921,152
Less: outlays (gross)	(54,976,902)	(70,423,240)
Less: recoveries of prior year unpaid obligations	$ (564,577)	(436,816)
Unpaid obligations, end of year	13,200,831	14,053,217
Uncollected Payments:		
Uncollected payments, Federal sources, brought forward, October 1	(2,017,703)	(1,946,057)
Change in uncollected payments, Federal sources	320,077	(71,646)
Uncollected payments, Federal sources, end of year	(1,697,626)	(2,017,703)
Obligated balance, start of year	$ 12,035,514	$ 13,046,064
Obligated balance, end of year	$ 11,503,205	$ 12,035,514
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	$ 54,333,300	$ 69,740,602
Less: actual offsetting collections (discretionary and mandatory)	(7,762,559)	(7,533,243)
Less: change in uncollected customer payments from Federal sources (discretionary and mandatory)	320,077	(71,646)
Budgetary authority, net (discretionary and mandatory)	$ 46,890,818	$ 62,135,713
Outlays, gross (discretionary and mandatory)	$ 54,976,902	$ 70,423,240
Actual offsetting collections (discretionary and mandatory)	(7,762,559)	(7,533,243)
Outlays, net (discretionary and mandatory)	47,214,343	62,889,997
Distributed offsetting receipts	(1,058,051)	(6,482,060)
Agency outlays, net (discretionary and mandatory)	$ 46,156,292	$ 56,407,937

The accompanying notes are an integral part of these statements.

STATEMENTS OF SOCIAL INSURANCE
As of September 30, 2015, 2014, 2013, 2012, and 2011
(Dollars in Thousands)

	For the Projection Period Ending September 30, 2040				
	2015	2014	2013	2012	2011
BLACK LUNG DISABILITY BENEFIT PROGRAM (Note 1-W)					
Actuarial present value of future benefit payments during the projection period to disabled coal miners and dependent survivors	$ 1,898,939	$ 1,876,522	$ 1,953,763	$ 2,181,654	$ 1,951,755
Present value of estimated future administrative costs during the projection period	1,242,920	942,107	920,740	963,995	935,444
Actuarial present value of future benefit payments and present value of estimated future administrative costs during the projection period for current and future participants	3,141,859	2,818,629	2,874,503	3,145,649	2,887,199
Less the present value of estimated future excise tax income during the projection period	4,738,572	7,301,416	7,494,800	7,804,178	7,607,428
Excess of present value of estimated future excise tax income over actuarial present value of future benefit payments and present value of estimated future administrative costs during the projection period for current and future participants (open and closed group measure)	$ 1,596,713	$ 4,482,787	$ 4,620,297	$ 4,658,529	$ 4,720,229
Trust fund net position deficit at start of projection period (Note 1-W and 21)	$ (5,644,208)	$ (5,755,352)	$ (5,894,222)	$ (5,977,619)	$ (6,099,261)
Summary Section					
Open and closed group measure	$ 1,596,713	$ 4,482,787	$ 4,620,297	$ 4,658,529	$ 4,720,229
Add: Funds with U.S. Treasury and receivables from benefit overpayments (Note 21)	54,859	129,376	145,794	102,498	63,814
Total of open and closed group measure plus fund assets (Note 1-W)	$ 1,651,572	$ 4,612,163	$ 4,766,091	$ 4,761,027	$ 4,784,043

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN SOCIAL INSURANCE AMOUNTS
For the Years Ended September 30, 2015 and 2014
(Dollars in Thousands)

BLACK LUNG DISABILITY BENEFIT PROGRAM (Note 1-W)
Open and Closed Group Measure

	2015	2014
Excess of present value of estimated future excise tax income over actuarial present value of future benefit payments and present value of estimated future administrative costs during the projection period for current and future participants (open and closed group measure), beginning of year	$ 4,482,787	$ 4,620,297
Reasons for changes in the open and closed group measure during the year:		
Changes in the assumptions about beneficiaries, including costs, number, type, age and life expectancy	25,406	120,126
Changes in assumptions about coal excise tax revenues	(2,726,804)	(443,815)
Changes in assumptions about Federal civilian pay raises for income benefits	4,431	7,245
Changes in assumptions about medical cost inflation for medical benefits	(1,652)	(1,179)
Changes in assumptions about administrative costs	(253,365)	(13)
Changes in assumptions about interest rates	65,910	180,126
Net change in open and closed group measure	(2,886,074)	(137,510)
Open and closed group measure, end of year	$ 1,596,713	$ 4,482,787

The accompanying notes are an integral part of these statements.

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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, promote and develop the welfare of the wage earners, job seekers and retirees of the United States; improve working conditions; advance opportunities for profitable employment; and assure work-related benefits and rights.

DOL accomplishes this mission through the execution of its congressionally approved budget, operating under four major budget functions: (i) education, training, employment, and social services; (ii) health (occupational health and safety); (iii) income security; and (iv) veterans benefits and services (veterans education and training). DOL is organized into program agencies, which administer the various statutes and programs for which the Department is responsible. DOL's program agencies are shown below.

1. Program Agencies

- Employment and Training Administration (ETA)
  - *Office of Job Corps*
- Office of Workers' Compensation Programs (OWCP)
- Occupational Safety and Health Administration (OSHA)
- Bureau of Labor Statistics (BLS)
- Mine Safety and Health Administration (MSHA)
- Employee Benefits Security Administration (EBSA)
- Veterans' Employment and Training Service (VETS)
- Wage and Hour Division (WHD)

Other Program Agencies

- Office of Federal Contract Compliance Programs (OFCCP)
- Office of Labor-Management Standards (OLMS)
- Departmental Management
  - *Office of the Secretary*
  - *Office of the Assistant Secretary for Administration and Management*
  - *Office of the Assistant Secretary for Policy*
  - *Office of Congressional and Intergovernmental Affairs*
  - *Women's Bureau*
  - *Office of the Deputy Secretary*
  - *Office of Inspector General*
  - *Office of the Solicitor*
  - *Office of Public Affairs*
  - *Office of the Chief Financial Officer*
  - *Office of Disability Employment Policy*
  - *Bureau of International Labor Affairs*

The Pension Benefit Guaranty Corporation (PBGC), wholly owned by the Federal government and whose Board of Directors is chaired by the Secretary of Labor, has been designated by OMB as a separate reporting entity for financial statement purposes and has been excluded from these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

2. Major programs

- Income maintenance
- Employment and training
- Labor, employment and pension standards
- Worker safety and health
- Statistics

The table below shows the relationship between the Department's strategic goals and its major programs.

Strategic Goals / Major Programs	Income Maintenance	Employment and Training	Labor, Employment and Pension Standards	Worker Safety and Health	Statistics
1: Prepare workers for better jobs		•	•		
2: Improve workplace safety and health				•	
3: Promote fair and high-quality work environments			•		
4: Secure retirement, health, and other employee benefits and, for those not working, provide income security	•		•		
5: Produce timely and accurate data on the economic conditions of workers and their families					•

3. Fund accounting structure

DOL's financial activities are accounted for by Federal account symbol, using individual funds and fund accounts within distinct fund types to report to the U.S. Department of the Treasury's (Treasury) Bureau of the Fiscal Service and to OMB. For financial statement purposes, DOL funds are further classified as funds from dedicated collections, fiduciary funds, and all other funds, and are discussed below:

Funds from dedicated collections

Funds from dedicated collections are financed by specifically identified revenues, which can be supplemented by other financing sources, both of which remain available over time. These revenues and financing sources are required by statute to be used for designated purposes and must be accounted for separately from the Government's general revenues. DOL's funds from dedicated collections are disclosed in Note 21 and are discussed below:

Unemployment Trust Fund (UTF) 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 (FUTA), 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 Federal Additional Unemployment Compensation fund is a component of the UTF and provided a $25 weekly supplement to the unemployment compensation of eligible claimants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

Funds from dedicated collections - continued

Black Lung Disability Trust Fund (BLDTF) was established under Part C of the Black Lung Benefits Act, to provide compensation and medical benefits to coal miners who suffer total disability due to pneumoconiosis (Black Lung disease), and compensation benefits to their dependent survivors for claims filed subsequent to June 30, 1973. Claims filed from the origination of the program until June 30, 1973, are paid by the Special Benefits for Disabled Coal Miners fund. (See Note 1.A.3 – All other funds.)

Gifts and Bequests Fund uses miscellaneous funds received by gift or bequest to support various activities of the Secretary of Labor.

Panama Canal Commission Compensation Fund, was established to provide for the accumulation of funds provided by the Commission to pay its workers compensation obligations under the Federal Employees' Compensation Act (FECA).

H-1B Funds provide demonstration grants to regional and local entities to provide technical skills training to unemployed and incumbent workers. The funds are supported by fees paid by employers applying for foreign workers under the H-1B temporary alien labor certification program authorized by the American Competitiveness and Workforce Improvement Act of 1998.

Fiduciary funds

Fiduciary funds are used to account for DOL's fiduciary activities, which involve the collection or receipt and subsequent disposition of cash or other assets in which non-Federal entities have an ownership interest that the Department must uphold. Fiduciary assets are not assets of DOL or the Federal Government, and accordingly, are not recognized on the Department's balance sheet. The fiduciary assets held by DOL and the fiduciary activities related to these assets are disclosed in Note 22 to these financial statements. DOL's fiduciary funds are discussed below.

Wage and Hour and Public Contracts Restitution Fund, a deposit fund established by the Fair Labor Standards Amendments of 1949, receives deposits from employers assessed by the Department for unpaid minimum wages or unpaid overtime compensation owed to employees as a result of labor law violations, and pays these wages directly to the affected employees.

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 engaged in certain maritime and other employment covered by extensions such as the Defense Base Act. The Act authorizes the Department to assess insurance carriers on behalf of these beneficiaries.

District of Columbia Workmen's Compensation Act Trust Fund, established under the authority of the District of Columbia Workmen's Compensation Act, provides compensation and medical payments to the District of Columbia employees for work-related injuries or death which occurred prior to July 26, 1982. The Act authorizes the Department to assess insurance carriers on behalf of these beneficiaries.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

Fiduciary funds - continued

Davis-Bacon Act Trust Fund established under the Davis-Bacon Act, provides payment for claims relating to violations of the Davis-Bacon Act and Contract Work Hours and Safety Standards Act. Effective November 21, 2013, responsibility for administrating this fund was transferred from the Government Accountability Office (GAO) to the Department of Labor. The Department investigates violation allegations to determine if federal contractors owe additional wages to covered employees. If the Department concludes that a violation has occurred, the Department collects the amount owed from the contracting federal agency, deposits the funds into an account with the U.S. Treasury, and remits payment to the claimant.

All other 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 training programs and other services for the economically disadvantaged and others, designed to lead to permanent gains in employment, through grants to states and Federal programs, authorized by the Workforce Investment Act (WIA) , Workforce Innovation and Opportunity Act (WOIA), and the Job Training Partnership Act.

Office of Job Corps supports the administration and management of the Job Corps program, which helps at-risk youth who need and can benefit from intensive education and training services to become more employable, responsible, and productive citizens.

State Unemployment Insurance and Employment Service Operations (SUIESO) includes grants to states for administering the Unemployment Compensation (UC) and Employment Service (ES) programs. UC Programs provide administrative grants to state agencies which pay unemployment benefits to eligible individuals and collect state unemployment taxes from employers. The ES Program is a nationwide system providing no-fee ES to individuals seeking employment and to employers seeking workers. ES funding allotments for state activities are determined upon 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 UTF to pay EUC benefits and the related administrative costs. This account is currently used to provide general fund financing for EUC benefits and administrative costs under the Supplemental Appropriations Act of 2008, as extended by the Recovery Act and other authorizing legislation.

Advances to the Unemployment Trust Fund and Other Funds provides advances to other accounts within the UTF to pay UC 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 makes advances to the Federal Unemployment Benefits and Allowances account to pay the cost of benefits and services

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds - continued

under the Trade Adjustment Assistance (TAA) for Workers program; and provides loans to the BLDTF to make disability payments whenever the fund balance proves insufficient.

Revolving fund for Advances to Employment Security Administration Account (ESAA), Unemployment Trust Fund was established under the authority of Social Security Act Section 901(e), to advance amounts to ESAA in the event that balances in this account prove insufficient to cover expenditures relating to administrative costs associated with the administration of the UTF.

Federal Unemployment Benefits and Allowances provides for payment of benefits, training, job search, relocation allowances, and employment and case management services (and state administrative expenses for all benefits other than trade readjustment allowances, reemployment adjustment assistance, and alternative TAA) as authorized by the Trade Act of 1974.

Short-Time Compensation provides grants to states to implement or improve short-time compensation programs as authorized by the Middle Class Tax Relief and Job Creation Act. Short-time compensation programs allow employers to voluntarily reduce the number of hours worked by employees in lieu of layoffs and permits employees to collect a pro rata portion of the UC which would otherwise be payable to the employee if the employee was unemployed.

Community Service Employment for Older Americans (CSEOA) provides part-time work experience in community service activities to unemployed, low income persons aged 55 and over.

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, Federal employees and certain other workers who have incurred a work-related illness or injury, and survivors of employees whose death is attributable to a job-related injury. The Fund also provides for vocational rehabilitation of injured employees to facilitate their return to work. Under extensions of FECA, benefits are also paid to certain groups related to War Hazards, non-Federal law enforcement officers, Job Corps enrollees, and certain Federally-supported volunteers. Section 10(h) of the amended Longshore and Harbor Workers' Compensation Act and the District of Columbia Workmen's Compensation Act authorized payments from the Special Benefit fund for 50% of the annual increase in benefits for compensation and certain related benefits.

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 (EEOICPA) of 2000. The Act authorizes compensation payments and the reimbursement of medical expenses to employees of the Department of Energy (DOE) or of private companies under contract with DOE, who suffer from specified diseases as a result of their work in the nuclear weapons industry. The Act also authorizes compensation to the survivors of these employees under certain circumstances. The Act was amended by the Ronald Reagan National Defense Authorization Act of 2005 to provide coverage to additional claimants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other 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 (SSA), after which time DOL began processing new claims under Part C. SSA continued to administer Part B claims until DOL permanently assumed responsibility effective October 1, 2003.

Working Capital Fund (WCF) 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 cover the full cost of operations.

General fund receipt accounts hold non-entity receipts and accounts receivable from DOL activities which by law cannot be deposited into funds under DOL control. The Treasury automatically transfers all fund balances in these receipt accounts to the General Fund of the Treasury at the end of each fiscal year.

Deposit funds account for monies held by DOL as an agent for others or monies held temporarily by DOL until ownership is determined.

4. Inter-departmental relationships

DOL and Treasury are jointly responsible for the operations of the UTF and the BLDTF. 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 UTF and the BLDTF into these financial statements.

B. Basis of Accounting and Presentation

These financial statements present the financial position, net cost of operations, changes in net position and budgetary resources of DOL, and estimated and actuarial projections, and changes therein, for the Department's Black Lung social insurance program, in accordance with U.S. GAAP and the form and content requirements of OMB Circular No. A-136. To ensure that the Department's financial statements are meaningful, other liabilities as defined by OMB Circular No. A-136 have been disaggregated on the balance sheet. These include energy employees occupational illness compensation benefits, accrued leave, and other liabilities. Except as described in the following paragraphs, the financial statements have been prepared from the books and records of DOL, and include the accounts of all funds under the control of the DOL reporting entity. All inter-fund balances and transactions have been eliminated, except in the Statements of Budgetary Resources, which are presented on a combined basis, as required by OMB Circular No. A-136.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Accounting and Presentation - Continued

DOL is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are delegations by one department of its authority to obligate budget authority and outlay funds to another agency as prescribed by law. OMB Circular No. A-136 requires the parent to report all budgetary and proprietary activity in its financial statements. DOL (parent entity) allocates appropriations to the U.S. Department of Agriculture and the U.S. Department of the Interior (child entities) to provide funds for youth training programs. Accordingly, all activity for these allocation accounts is included in the DOL financial statements. DOL (child entity) receives allocated appropriations from the U.S. Department of State to support international HIV/AIDS relief efforts and the Executive Office of the President of the United States to support an unemployment insurance (UI) financial data access project (parent entities). Accordingly, activity for these allocation accounts is excluded from the DOL financial statements and reported by the parent agencies.

U.S. GAAP encompasses both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned and expenses are recognized when incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of Federal funds. These 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. The Department's compliance with U.S. GAAP includes the implementation in FY 2015 of SFFAS 44, "Accounting For Impairment Of General Property, Plant, And Equipment Remaining In Use." This has an immaterial impact on DOL's financial statements.

Throughout these financial statements, assets, liabilities, earned revenue, and costs have been classified according to the type of entity with whom the transactions were made. Intra-governmental assets and liabilities are those from or to other Federal entities. Intra-governmental earned revenue represents collections or accruals of revenue from other Federal entities, and intra-governmental costs are payments or accruals to other Federal entities.

C. Funds with U.S. Treasury

DOL's cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures, and restricted balances, including amounts related to expired authority and amounts not available for use by DOL. (See Note 2)

D. Investments

Funds from Dedicated Collections

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with DOL's funds from dedicated collections. The cash receipts collected from the public for funds from dedicated collections are deposited in the U.S. Treasury, which uses the cash for general government purposes. Interest earning Treasury securities are issued to DOL's funds from dedicated collections as evidence of the receipts. These Treasury securities are assets to DOL and liabilities to the U.S. Treasury. Because DOL and the U.S. Treasury are both parts of the U.S. Government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury securities provide DOL with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When DOL requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Investments – Continued

by borrowing from the public or repaying less debt, or by curtailing other expenditures, just as the government finances all other expenditures.

Balances held in the UTF are invested in non-marketable, special issue Treasury securities (certificates of indebtedness and bonds) available for purchase exclusively by Federal government agencies and trust funds. Special issues are purchased and redeemed at face value (cost), which is equivalent to their net carrying value on the Consolidated Balance Sheet. Interest rates and maturity dates vary. The UTF special issue Treasury bonds may be redeemed, in whole or in part, prior to their maturity date and continue to accrue interest until fully redeemed.

Balances held in the Panama Canal Commission Compensation Fund are invested in marketable Treasury securities. These investments are stated at amortized costs that equal 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. (See Notes 4 and 23)

1. Intra-governmental accounts receivable

The Federal Employees Compensation (FEC) account within the UTF provides unemployment compensation to eligible Federal employees (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 FECA Special Benefit Fund provides workers' compensation benefits to eligible Federal workers on behalf of other Federal agencies. DOL recognizes as accounts receivable amounts due from other Federal agencies to the Special Benefit Fund for unreimbursed FECA benefits.

DOL also has receivables from other Federal agencies for work performed on their behalf under various reimbursable agreements.

2. Accounts receivable due from the public

DOL recognizes as accounts receivable state unemployment taxes due from covered employers and reimbursements of benefits paid on behalf of other 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, WHD, and EBSA and for amounts due from grantees and contractors for grant and contract costs disallowed by ETA and other agencies.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Accounts Receivable, Net of Allowance - Continued

3. Allowance for uncollectible accounts

Accounts receivable due from the public are stated net of an allowance for uncollectible accounts. The allowance is estimated based on an aging of account balances, past collection experience, and/or an analysis of outstanding accounts at year-end. Intra-governmental accounts receivable are considered fully collectible.

F. Property, Plant and Equipment, Net of Accumulated Depreciation

The majority of DOL's property, plant and equipment (PP&E) is general purpose PP&E held by Job Corps centers owned and operated by DOL through a network of contractors. Internal use software is considered general purpose PP&E.

DOL's capitalization thresholds for assets with a useful life of 2 years or longer and the related depreciable lives are displayed in the following table.

	Capitalization Threshold	Years
Structures, facilities and improvements	$500,000	20 - 50
Furniture and equipment	$50,000	2 - 36
Internal use software and software in development	$500,000	2 - 15
Construction-in-progress	$500,000	-
Land	$500,000	-

Internal use software development costs are capitalized as software in development until the development stage has been completed and successfully tested. Upon completion and testing, they are reclassified as internal use software and amortized over their estimated useful lives.

PP&E purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred. PP&E are depreciated over their estimated useful lives using the straight-line method of depreciation. Furniture and equipment include a capital lease for the financial management system.

Job Corps center construction costs are capitalized as construction-in-progress until completed. Upon completion they are reclassified as structures and facilities and depreciated over their estimated useful lives. Structures and facilities also includes a capital lease for a Job Corps facility. Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration (GSA) are capitalized as construction-in-progress until completed. Upon completion, they are reclassified as improvements to leased facilities, and amortized over the remaining life of the lease or the useful life of the improvements, whichever is shorter, using the straight-line method of amortization. DOL operating leases have one-year terms with multiple option years. The leases are cancelable by the government upon appropriate notice as specified in the lease agreements. Historically, these leases have not been canceled and DOL has no intention to cancel these leases in the near term. (See Note 5)

G. Advances

DOL advances consist primarily of payments made to State Employment Security Agencies (SESA) 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 estimated expenditures are recorded by DOL. (See Note 6)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Non-entity Assets

Assets held by DOL which are not available to DOL for obligation are considered non-entity assets. DOL holds non-entity assets for the Railroad Retirement Board and for transfer to the U.S. Treasury. (See Note 7)

I. Liabilities

Liabilities represent probable amounts to be paid by DOL as a result of past transactions and are recognized when incurred, regardless of whether there are budgetary resources available to pay them. However, the liquidation of these liabilities will consume budgetary resources and cannot be made until available resources have been obligated. For financial reporting purposes, DOL's liabilities are classified as covered or not covered by budgetary resources.

Liabilities are classified as covered by budgetary resources if budgetary resources are available to pay them. Liabilities are also considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. Liabilities are classified as not covered by budgetary resources if budgetary resources are not available. These classifications differ from budgetary reporting, which categorizes liabilities as obligated, consuming budgetary resources, or unobligated, not consuming budgetary resources. Unobligated liabilities include those covered liabilities for which available budgetary resources have not been obligated, as well as liabilities not covered for which budgetary resources are not available to pay them. (See Note 12)

J. Debt

DOL's debt consisted of the following:

1. Unemployment Trust Fund advances from U.S. Treasury

UTF advances from U.S. Treasury outstanding as of September 30, 2015 and 2014, represent borrowings from the General Fund of the U.S. Treasury pursuant to the authority of Sections 905(d) and 1203 of the Social Security Act (42 USC 1323). These advances were appropriated in FY 2015 through three continuing resolutions with P.L. 113-164, P.L. 113-202 and P.L. 113-203 and an appropriations act P.L. 113-235; and appropriated in FY 2014 through two continuing resolutions with P.L. 113-46 and P.L. 113-73 and an appropriations act P.L. 113-76. These repayable advances bear interest rates ranging between 2.375% and 3.000%, which is equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such advance, borne by all interest bearing obligations of the United States then forming part of the public debt; except that in cases in which such average rate is not a multiple of one-eighth of 1 percent, the rate of interest shall be the multiple of one-eighth of 1 percent next lower than such average rate in accordance with Section 905(d) and Section 1203 of the Social Security Act. Interest on the repayable advances is due on September 30th of each year or upon the repayment of an advance. Advances are repaid by transfers from the UTF to the General Fund of the U.S. Treasury when the Secretary of the Treasury, in consultation with the Secretary of Labor, has determined that the balances in the UTF allow repayment. (See Note 8)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Debt - Continued

2. Black Lung Disability Trust Fund borrowings from U.S. Treasury

The Energy Improvement and Extension Act of 2008 (P.L. 110-343, section 113), enacted October 3, 2008, authorized restructuring of the BLDTF debt by the repayment at market value the fund's outstanding repayable Advances from U.S. Treasury, using the proceeds from borrowings from Treasury's Bureau of the Fiscal Service and a one-time appropriation. Pursuant to this authority, in FY 2009, the BLDTF borrowed from Treasury $6.496 billion which was structured into 32 discounted instruments with sequential annual September 30th maturities over the 32-year period 2009 through 2040, bearing interest rates ranging from 1.412% to 4.556%. Interest on each instrument accrues until its September 30th maturity date or the instrument's prepayment, whichever occurs first. These debt payments are to be made from the excise taxes assessed on mined coal. In the event that the BLDTF cannot repay a discounted instrument when it matures, or make benefit payments or other authorized expenditures, the Act authorizes the issuance of one-year discounted instruments to finance these activities. The BLDTF issued additional debt on September 30, 2014 (due September 30, 2015) bearing an interest rate of 0.11%, and on September 30, 2015 (due September 30, 2016) bearing an interest rate of 0.33%. (See Note 8)

K. Accrued Benefits

The financial statements include a liability for unemployment, workers' compensation, and disability benefits due and payable from various DOL funds, as discussed below. (See Note 10)

1. Unemployment benefits payable

The UTF provides benefits to unemployed workers who meet state and Federal eligibility requirements. Regular and extended unemployment benefits are paid from state accounts within the UTF, 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 UTF, financed by a Federal unemployment tax on employer payrolls. The Recovery Act provided for a 100% Federal funding of Extended Benefits (EB) through December 2009. This 100% Federal funding provision, which was extended several times, phased out on January 1, 2014.

The Recovery Act also provided for Federal Additional Unemployment Compensation (FAUC), a $25 weekly supplement entirely funded from Treasury General Fund revenues, payable through December 2009, to individuals who were entitled under state law to otherwise receive any type of UC. FAUC benefits were extended several times, with phase-out of benefit eligibility by December 2010. Although the vast majority of FAUC activity has ceased, states are still reporting residual transactions related to the program on monthly reports.

EUC benefits, also paid from EUCA, were first authorized by the Supplemental Appropriations Act of 2008. These benefits were extended by the Recovery Act and other authorizing legislation through January 1, 2014, and were funded entirely from General Fund appropriations.

Unemployment benefits to unemployed Federal workers are paid from the FEC account within the UTF, which is then reimbursed by the responsible Federal agency.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Accrued Benefits - Continued

1. Unemployment benefits payable - continued

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' unpaid unemployment benefits for existing claims filed during the current period, payable in the subsequent period, to the extent reimbursable by other Federal entities.

2. Federal employees disability and 10(h) benefits payable

The FECA Special Benefit Fund provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The fund is reimbursed by other Federal agencies for the FECA benefit payments made on behalf of their workers. The fund assumes the liability for unreimbursed (non-chargeable) FECA benefits. The fund also provides 50% of the annual cost-of-living adjustments for pre-1972 compensation cases under the authority of Section 10(h) of the Longshore and Harbor Workers' Compensation Act and the District of Columbia Workmen's Compensation Act. A liability for FECA benefits payable by the Special Benefit Fund to the employees of DOL and other Federal agencies and for Section 10(h) benefits is accrued to the extent of unpaid benefits applicable to the current period.

3. Black lung disability benefits payable

The BLDTF and Special Benefits for Disabled Coal Miners fund provide compensation and medical benefits for eligible coal miners who are totally disabled due to pneumoconiosis (black lung disease). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

4. Energy employees occupational illness compensation benefits payable

The Energy Employees Occupational Illness Compensation Fund provides benefits to eligible current or former employees of the DOE and its contractors suffering from designated illnesses incurred as a result of their work with DOE. Benefits are also paid to certain survivors of those employees and contractors, as well as to certain beneficiaries of the Radiation Exposure Compensation Act (RECA). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

L. Future Workers' Compensation Benefits

The financial statements include an actuarial liability for future workers' compensation benefits payable by DOL to its employees, to employees of the Panama Canal Commission and to enrollees of the Job Corps, as well as benefits not chargeable to other Federal agencies, which must be paid by DOL's FECA Special Benefit Fund. The liability includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to injury years to predict the future payments.

The actuarial methodology provides for the effects of inflation and adjusts historical payments to constant dollars by applying wage inflation factors (cost-of-living adjustments or COLA) and medical inflation factors (consumer price index-medical or CPIM) to the calculation of projected benefits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Future Workers' Compensation Benefits - Continued

In FY 2015, DOL refined the approach for selecting the COLA factors, CPIM factors, and discount rate by averaging the COLA rates, CPIM rates, and interest rates for the current and prior four years. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year. In FY 2014, DOL selected the COLA and CPIM factors based on one year.

The COLAs and CPIMs used in the projections for FY 2015 and FY 2014 were as follows:

	COLA		CPIM	
FY	2015	2014	2015	2014
2015	N/A	1.73 %	N/A	2.93 %
2016	1.64 %	2.17 %	2.94 %	3.76 %
2017	1.47 %	2.13 %	2.98 %	3.86 %
2018	1.33 %	2.23 %	3.09 %	3.90 %
2019	1.43 %	2.30 %	3.39 %	3.90 %
2020+	1.65 %	2.30 %	3.69 %	3.90 %

DOL selected the interest rate assumptions whereby projected annual payments were discounted to present value based on interest rate assumptions on the U.S. Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues (the TNC Yield Curve) to reflect the average duration of income payments and medical payments. For FY 2015, based on averaging the TNC Yield Curves for the current and prior four years, the average durations and interest rate assumptions were 14.9 years and 3.134% for income payments and 9.8 years and 2.496% for medical payments. For FY 2014, based on the TNC Yield Curve for one year, the average durations and interest rate assumptions were 15.1 years and 3.455% for income payments and 9.9 years and 2.855% for medical payments.

M. Energy Employees Occupational Illness Compensation Benefits

The Energy Employees Occupational Illness Compensation Fund, established under the authority of the EEOICPA, provides benefits to eligible current or former employees of DOE and its contractors, or to certain survivors of those employees and contractors, as well as benefits to certain beneficiaries of RECA. DOL is responsible for adjudicating and administering claims filed under the EEOICPA. Effective July 31, 2001, compensation of $150,000 and payment of medical expenses from the date a claim is filed are available to covered individuals suffering from designated illnesses incurred as a result of their work with DOE.

The Ronald Reagan National Defense Authorization Act of 2005 amended EEOICPA to include Subtitle E – Contractor Employee Compensation. The amended program grants workers' compensation benefits to covered employees and their families for illness and death arising from exposure to toxic substances at a DOE facility. The amendment also makes it possible for uranium workers as defined under Section 5 of RECA to receive compensation under Part E for illnesses due to toxic substance exposure at a uranium mine or mill covered under that Act.

Projected payments were discounted to present value based on interest rate assumptions on the TNC Yield Curve to reflect the average duration of compensation payments and medical payments. In FY 2015, DOL refined the approach for selecting interest rate assumptions by averaging interest rates for the current and prior four years. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year. In FY 2014, DOL selected interest rate assumptions based on one year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Energy Employees Occupational Illness Compensation Benefits - Continued

For FY 2015, the average durations were 9.2 years for compensation payments and 17.0 years for medical payments. As of September 30, 2015, the undiscounted liability was $21.7 billion discounted to a present value liability of $14.8 billion based on an interest rate of 2.387% for compensation payments and 3.282% for medical payments projected over a 58-year period.

For FY 2014, the average durations were 8.9 years for compensation payments and 16.7 years for medical payments. As of September 30, 2014, the undiscounted liability was $23.5 billion discounted to a present value liability of $16.0 billion based on an interest rate of 2.661% for compensation payments and 3.560% for medical payments projected over a 58-year period.

The estimated liability includes the expected compensation 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 reported claims from the historical patterns of reported claims and subsequent claim approval rates. Medical payments were derived by estimating an average benefit award per living employee claimant.

N. Accrued Leave

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. The balance of leave earned but not taken will be paid from future funding sources. Sick leave and other types of non-vested leave are expensed as taken.

O. Employee Health and Life Insurance Benefits

DOL employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP). DOL matches the employee contributions to each program to pay for current benefits. During FY 2015, DOL's contributions to the FEHBP and FEGLIP were $113.4 million and $2.4 million, respectively. During FY 2014, DOL's contributions to the FEHBP and FEGLIP were $111.0 million and $2.4 million, respectively. These contributions are recognized as current operating expenses.

P. Other Retirement Benefits

DOL employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. DOL recognizes a current operating expense for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense must be financed by the U.S. Office of Personnel Management (OPM). Using cost factors supplied by OPM, DOL recorded ORB imputed costs and imputed financing sources of $72.1 million in FY 2015 and $68.2 million in FY 2014.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q. Employee Pension Benefits

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). For employees participating in CSRS, 7.0% of their gross earnings is withheld and transferred to the Civil Service Retirement and Disability Fund. DOL contributes an additional 7.0% of the employee gross earnings to the Civil Service Retirement and Disability Fund. P.L. 112-96, Section 5001, the "Middle Class Tax Relief and Job Creation Act of 2012," changed the employee and employer contributions for new employees participating in FERS. Employees designated by OPM as FERS Revised Annuity Employees (RAEs) were, in general, new employees hired on or after January 1, 2013. The Bipartisan Budget Act of 2013, section 401, further changed the employee and employer contributions for new employees participating in FERS. Employees designated by OPM as FERS Further Revised Annuity Employees (FRAEs) were, in general, hired on or after January 1, 2014. The percentages of employee contribution/withholding and DOL contribution under FERS, FERS RAE, and FERS FRAE in FY 2015 and FY 2014 are presented in the table below.

	Percentage of Gross Earnings		
FY 2015	FERS	FERS RAE	FERS FRAE
Employee contribution/withholding	0.8%	3.1%	4.4%
DOL contribution	13.2%	11.1%	11.1%
FY 2014	FERS	FERS RAE	FERS FRAE
Employee contribution/withholding	0.8%	3.1%	4.4%
DOL contribution	11.9%	9.6%	9.6%

These totals are transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by OPM. DOL contributions to the CSRS and FERS are recognized as current operating expenses. FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to withholdings. DOL makes matching FICA contributions, recognized as current operating expenses. DOL's matching contributions were $121.0 million in FY 2015 and $117.3 million in FY 2014.

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 $18,000 and $17,500 of their gross pay to the TSP during calendar years 2015 and 2014, respectively, but there is no departmental matching contribution. FERS participants may contribute up to $18,000 and $17,500 of their gross pay to the TSP during calendar years 2015 and 2014, respectively. CSRS and FERS participants aged 50 years or older may also contribute an additional $6,000 and $5,500 each calendar year in "catch-up" contributions during calendar years 2015 and 2014, respectively, but there is no departmental matching on "catch-up" contributions. For employees covered under FERS, DOL contributes 1% of the employees' gross pay to the TSP. DOL also matches employees' contributions dollar-for-dollar on the first 3% of pay contributed each pay period and 50 cents on the dollar for the next 2% of pay contributed. DOL contributions to the TSP are recognized as current operating expenses. Employee and employer contributions to the TSP are transferred to the Federal Retirement Thrift Investment Board. (See Note 14)

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.

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 an imputed cost and an imputed financing source equal to the excess amount. DOL does not recognize in its financial statements FERS or CSRS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees. (See Note 14)

R. Net Position

DOL's net position consists of the following:

1. Cumulative results of operations

Cumulative results of operations include the accumulated historical difference between expenses consuming budgetary resources and financing sources providing budgetary resources in DOL's trust, revolving, and special funds; liabilities not consuming budgetary resources net of assets not providing budgetary resources; and DOL's net investment in capitalized assets.

2. Unexpended appropriations

Unexpended appropriations include the unobligated balances and undelivered orders of DOL's appropriated funds. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until those appropriations are cancelled, five years after the appropriations expire. Unexpired multi-year and no-year appropriations remain available to DOL for obligation in future periods.

S. Net Cost of Operations

1. Operating costs

Full operating costs are comprised of all direct costs consumed by programs and those indirect costs which can be reasonably assigned or allocated to programs. Full costs are reduced by exchange (earned) revenues to arrive at net program cost. The full and net operating costs of DOL's major programs are presented in the Consolidated Statements of Net Cost, and are also reported by program agency and major program. (See Note 15)

2. Earned revenues

Earned revenues arise from exchange transactions which occur through the provision of goods and services for a price, and are deducted from the full cost of DOL's major programs to arrive at net program cost. Earned revenues are recognized by DOL to the extent reimbursements are payable from other Federal agencies and from the public, as a result of costs incurred or services performed on their behalf. Major sources of DOL's earned revenue include reimbursements to the FECA Special Benefit Fund from Federal agencies for the costs of disability compensation and medical care provided to or accrued on behalf of their employees and reimbursements to the UTF from Federal agencies for the cost of unemployment benefits provided to or accrued on behalf of their former employees. (See Note 15)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

T. Budgetary Financing Sources

Budgetary financing sources other than earned revenues provide funding for the Department's net cost of operations and are reported on the Consolidated Statements 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 used, appropriations transferred, and adjustments

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 adjusted due to rescission, cancellation, sequestration, or return of permanent indefinite authority. Appropriations are considered used as a financing source when goods and services are received or benefits are provided.

2. Non-exchange revenues

Non-exchange revenues arise primarily from the Federal government's power to demand payments from the public. Non-exchange revenues are recognized by DOL on the Consolidated Statements of Changes in Net Position and are discussed below. (See Note 16)

Employer taxes

Employer tax revenues are recognized on a modified cash basis, to the extent of cash transferred by the collecting entity to DOL, plus the change in inter-entity balances between the collecting entity and DOL. Inter-entity balances represent revenue received by the collecting entity, net amounts due to the collecting entity and adjustments made to previous transactions by the collecting entity which have not been transferred to DOL.

Federal and state unemployment taxes represent non-exchange revenues collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service and transferred to designated accounts within the UTF. State unemployment taxes are collected by each state and deposited in separate state accounts within the UTF. Among other things, 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 UI program, employment services including veterans' ES, and foreign labor certifications (FLC). Additional Federal collections from states with advances from the fund that have been outstanding for more than two years are used to reduce states' outstanding advance balances. State unemployment taxes are restricted in their use to the payment of unemployment benefits.

Black Lung Disability Trust Fund excise tax

Black Lung Disability Trust Fund excise tax revenues are recognized on a modified cash basis, to the extent of warrants posted by Government-Wide Accounting and the Bureau of the Fiscal Service Funds into the BLDTF. These taxes are imposed on coal sold by producers from mines located in United States. (See Note 1.W)

Interest

The UTF, the Panama Canal Commission Compensation Fund, and the Energy Employees Occupational Illness Compensation Fund receive interest on fund investments. The UTF receives interest from states that had accounts with loans payable to the Federal Unemployment Account (FUA) at the end of the prior fiscal year. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

T. Budgetary Financing Sources – Continued

2. Non-exchange revenue - continued

Reimbursement of unemployment benefits and other

The UTF receives reimbursements from state and local government entities and non-profit organizations for the cost of unemployment benefits provided to or accrued on behalf of their employees. These reimbursements are recognized as non-exchange revenue when earned.

3. Transfers without reimbursement

Transfers recognized as budgetary financing sources by DOL include transfers from the Department of Homeland Security H-1B Nonimmigrant Petitioner Account to H-1B Funds in ETA and WHD. There are also transfers between DOL entities, primarily for the administration of the UI program and of appropriations for extended unemployment benefits. (See Note 17)

U. Other Financing Sources

Other financing sources include items that do not represent budgetary resources.

1. Imputed financing from costs absorbed by others

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, 1-Q, and 14)

2. Transfers without reimbursement

Transfers recognized as other financing sources by DOL include the transfers of property from the GSA. (See Note 17)

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, WHD, and EBSA for regulatory violations; and for FECA administrative costs assessed against government corporations in excess of amounts reserved to finance capital improvements in the FECA Special Benefit Fund; and for ETA collections and administrative charges and restitution payments. These collections are not available to the agencies for obligation or expenditure. Penalties and other assessments are recognized as custodial non-exchange revenues when collected or subject to collection. (See Note 20)

W. Significant Assumptions Used in the Statements of Social Insurance and Statements of Changes in Social Insurance Amounts

1. Program Background

The Black Lung Disability Benefit Program provides for compensation, medical, and survivor benefits for eligible coal miners who are totally disabled due to pneumoconiosis (black lung disease) arising out of their coal mine employment and the BLDTF provides benefit payments when no responsible mine operator can be assigned the liability. The OWCP administers the program.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

W. Significant Assumptions Used in the Statements of Social Insurance and Statements of Changes in Social Insurance Amounts - Continued

1. Program Background - continued

The Federal Coal Mine Health and Safety Act sets Black Lung benefits at 37.5% of the base salary of a Federal employee at level GS-2, Step 1. Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the domestic 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.

P.L. 110-343, Division B-Energy Improvement and Extension Act of 2008, enacted on October 3, 2008, among other things, restructured the BLDTF debt by refinancing the outstanding high interest rate repayable advances with low interest rate discounted debt instruments similar in form to zero-coupon bonds, plus a one-time appropriation. This Act also allowed that any subsequent debt issued by the BLDTF may be used to make benefit payments, other authorized expenditures, or to repay debt and interest from the initial refinancing. (See Notes 1-J and 8)

2. Significant Assumptions

The significant assumptions used in the projections for the Statements of Social Insurance (SOSI) are the coal excise tax revenue estimates, the tax rate structure, the number of beneficiaries, life expectancy, Federal civilian pay raises, medical cost inflation, and the interest rates used to discount future cash flows. These assumptions affect the amounts reported on the SOSI, summary section and the Statements of Changes in Social Insurance Amounts (SCSIA).

Treasury's Office of Tax Analysis provides estimates of future receipts of the black lung excise tax. Its estimates are based on projections of future coal production and sale prices prepared by the Energy Information Administration (EIA) of the U.S. Department of Energy. In FY 2015, EIA projections of future coal production and sale prices reflect, among other things, regulation pursuant to the Clean Power Plan. Treasury's Office of Tax Analysis provides the first 10 years of tax receipt estimates. In FY 2015, DOL refined the approach for selecting the growth rate for tax receipt estimates for the remaining years to enhance consistency of future tax receipts over the projection period. For FY 2015, the growth rate is based on the average EIA growth rates for future coal production that reflect, among other things, regulation pursuant to the Clean Power Plan. For FYs 2011 through 2014, the remaining years of future tax receipts were estimated using a growth rate based on both historical tax receipts and the Treasury's estimated tax receipts.

The coal excise tax rates of $1.10 per ton of underground-mined coal and $0.55 per ton of surface-mined coal sold, with a cap of 4.4% of sales price, continue until the earlier of December 31, 2018 (used in all presentations) or the first December 31 in which there exists no (1) balance of repayable debt described in section 9501 of the Internal Revenue Code and (2) unpaid interest on the debt. At that time, the tax rates revert to $0.50 per ton of underground-mined coal and $0.25 per ton of surface-mined coal sold, with a limit of 2.0% of sales price.

The beneficiary population data is updated from information supplied by the program. The beneficiary population is a nearly closed universe in which attrition by death exceeds new entrants by a ratio of more than ten to one. Projections for new participants are included in the overall projections and are considered

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

W. Significant Assumptions Used in the Statements of Social Insurance and Statements of Changes in Social Insurance Amounts - Continued

2. Significant Assumptions - continued

immaterial. Therefore, the difference between the open group measure and the closed group measure due to new participants is immaterial and the same measure is presented for both the open group and the closed group.

SSA life tables are used to project the life expectancies of the beneficiary population. OMB supplies assumptions for future monthly benefit rate increases based on increases in the Federal pay scale and future medical cost inflation based on increases in the CPIM, which are used to calculate future benefit costs.

During the current projection period, the future benefit rate (annualized for the fiscal year) increases 3.03% in 2016, 3.25% in 2017, 3.02% in 2018, and 3.00% in each year thereafter and medical cost increases 3.4% in 2016, 3.7% in 2017, 3.8% in 2018, and 3.9% in each year thereafter. Estimates for administrative costs for the first 10 years of the projection period are supplied by DOL's Budget Office, based on current year enacted amounts, while later years are based on the number of projected beneficiaries.

The projection period ends September 30, 2040, because the primary purpose of the BLDTF, which was established in 1978, is to compensate the victims of coal mine dust exposures which occurred prior to 1970. By the end of FY 2040, not only the disabled miners and their widows in that class, but also virtually all of their eligible dependent disabled adult children will be deceased.

For FY 2015 and FY 2014, DOL's approach for selecting the interest rate assumptions used to discount projected annual cash flows enhanced matching between the timing of cash flows and interest rates and increased comparability; the approach had been refined in FY 2014.

For FY 2015, projected annual cash flows were discounted to present value based on Treasury rates that reflect the average duration of cash flows between 10.3 and 11.2 years for income payments, medical payments, administrative expenses, and coal excise tax collections. The interest rate used to discount FY 2015 projections is 2.25% for income payments, medical payments, administrative expenses, and coal excise tax collections.

For FY 2014, projected annual cash flows were discounted to present value based on Treasury rates that reflect the average duration of cash flows between 10.4 and 12.2 years for income payments, medical payments, administrative expenses, and coal excise tax collections. The interest rates used to discount FY 2014 projections were 2.50% for income payments and 2.63% for medical payments, administrative expenses, and coal excise tax collections.

For FY 2013, projected annual cash flows were discounted to present value based on OMB's interest rate assumptions which were interpolated to reflect the average duration of cash flows. For FYs 2011 and 2012, the projections were discounted using an interest rate published by Treasury as of the start of the projection period for Treasury loans to government agencies for loans with a duration that approximated the projection period. The valuation date for the FY 2015 and FY 2014 information presented in the SOSI, including the summary section, and in the SCSIA is September 30, 2015 and 2014, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

W. Significant Assumptions Used in the Statements of Social Insurance and Statements of Changes in Social Insurance Amounts - Continued

3. Significant Assumptions – continued

The accumulated deficit of all past disbursements over past cash receipts, including interest on investments, is ($5.64) billion, the amount of the trust fund net position deficit at the start of the projection period, September 30, 2015. The excess of the present value of estimated future excise tax income over the actuarial present value of future benefit payments and present value of estimated future administrative costs during the projection period for current and future participants (open and closed group measure) is calculated by adding the outflows of:

(a) actuarial present value of future benefit payments during the projection period to disabled coal miners and dependent survivors; and

(b) present value of estimated future administrative costs during the projection period;

and then subtracting the inflows of:

(c) the present value of estimated future excise tax income during the projection period

As a result of changes in the assumptions above:

– in FY 2015, the open and closed group measure decreased by ($2,886.1) million primarily due to projected lower coal excise tax revenues and higher administrative costs, offset in part due to lower beneficiary costs and the change in interest rates used to discount the cash flows from 2.50% and 2.63% in FY 2014 to 2.25% for income payments, medical payments, administrative expenses, and coal excise tax collections in FY 2015; and

– in FY 2014, the open and closed group measure decreased by ($137.5) million primarily due to projected lower coal excise tax revenues, offset in part due to lower beneficiary costs and the change in interest rates used to discount the cash flows from between 2.79% and 2.95% in FY 2013 to 2.50% for income payments and 2.63% for medical payments, administrative expenses, and coal excise tax collections in FY 2014.

X. Tax Exempt Status

As an agency of the Federal government, the Department is exempt from all taxes imposed by any governing body whether it is a Federal, state, commonwealth, local, or foreign government.

Y. Application of Critical Accounting Estimates

The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions.

Estimates and assumptions affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and assumptions also affect the amounts reported on the SOSI and the SCSIA. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury as of September 30, 2015, consisted of the following:

(Dollars in thousands)	Revolving funds	Trust funds	Special funds	General funds	Other	Total
Unobligated Balance Available	$ 8,909	$ 163	$ 265,528	$ 2,492,462	$ -	$ 2,767,062
Unobligated Balance Unavailable	8,078	-	51,489	578,968	-	638,535
Obligated Balance Not Yet Disbursed	133,044	11,927	467,573	7,482,001	-	8,094,545
Non-Budgetary Fund Balance with Treasury	-	63,629	220	66	-	63,915
Total Entity Assets	150,031	75,719	784,810	10,553,497	-	11,564,057
Non-entity Assets	-	(1,050)	-	-	5,975	4,925
Fund Balance with Treasury	$ 150,031	$ 74,669	$ 784,810	$ 10,553,497	$ 5,975	$ 11,568,982

Funds with U.S. Treasury as of September 30, 2014, consisted of the following:

(Dollars in thousands)	Revolving funds	Trust funds	Special funds	General funds	Other	Total
Unobligated Balance Available	$ 1,761	$ 163	$ 345,638	$ 2,632,358	$ -	$ 2,979,920
Unobligated Balance Unavailable	21,868	-	55,114	1,508,208	-	1,585,190
Obligated Balance Not Yet Disbursed	87,385	12,910	327,939	7,911,976	-	8,340,210
Non-Budgetary Fund Balance with Treasury	-	97,577	239	292	-	98,108
Total Entity Assets	111,014	110,650	728,930	12,052,834	-	13,003,428
Non-entity Assets	-	(2,577)	-	-	3,495	918
Fund Balance with Treasury	$ 111,014	$ 108,073	$ 728,930	$ 12,052,834	$ 3,495	$ 13,004,346

Obligated and unobligated balances differ from the amounts reported on the Combined Statements of Budgetary Resources because budgetary balances are supported by amounts other than Fund Balance with Treasury, such as investments. Non-Budgetary Fund Balance with Treasury consists of amounts included in Fund Balance with Treasury but excluded from the Department's budgetary resources, such as sequestered budget authority.

The negative fund balance reported as of September 30, 2015 and 2014, relates to the UTF and is the result of the timing of processing the investments and redemptions of UTF. The investments and redemptions relating to the last business day of the month are not processed until the first day of the next month. This results in a negative cash position for the preceding business day when the disbursements are greater than the receipts to the fund.

Annual and multi-year budget authority expires at the end of its period of availability. During the first through the fifth expired years, the unobligated balance is unavailable and may be used to adjust obligations and disbursements that were recorded before the budgetary authority expired or to meet a legitimate or bona fide need arising in the fiscal year for which the appropriation was made. The unobligated balance for no-year budget authority may be used to incur obligations indefinitely for the purpose specified by the appropriation act. No-year budget authority unobligated balances, except those specifically exempt, are subject to the annual apportionment and allotment process.

Unobligated Balance Available as of September 30, 2015 and 2014, includes $491.7 million and $486.6 million, respectively, of funds apportioned for use in the subsequent year period.

NOTE 3 - INVESTMENTS

Investments as of September 30, 2015, consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Interest Receivable	Net Value	Market Value
Unemployment Trust Fund					
Non-marketable					
Special issue U.S. Treasury Bonds					
2.250% maturing June 30, 2017	$ 33,635,788	$ -	$ 189,201	$ 33,824,989	$ 33,635,788
2.375% maturing June 30, 2016	3,751,987	-	22,277	3,774,264	3,751,987
Special issue Certificate of Indebtedness					
2.250% maturing June 30, 2016	6,980,612	-	22,049	7,002,661	6,980,612
	$ 44,368,387	-	$ 233,527	$ 44,601,914	$ 44,368,387
Panama Canal Commission Compensation Fund					
Marketable					
U.S. Treasury Notes					
4.50% maturing November 11, 2015	41,641	220	703	42,564	41,641
	$ 44,410,028	$ 220	$ 234,230	$ 44,644,478	$ 44,410,028
Entity investments	$ 44,302,725	$ 220	$ 233,665	$ 44,536,610	$ 44,302,725
Non-entity investments	107,303	-	565	107,868	107,303
	$ 44,410,028	$ 220	$ 234,230	$ 44,644,478	$ 44,410,028

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 3 - INVESTMENTS - Continued

Investments as of September 30, 2014, consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Interest Receivable	Net Value	Market Value
Unemployment Trust Fund					
Non-marketable					
Special issue U.S. Treasury Bonds					
2.375% maturing June 30, 2016	$ 3,751,987	$ -	$ 22,277	$ 3,774,264	$ 3,751,987
Special issue Certificate of Indebtedness					
2.375% maturing June 30, 2015	32,167,350	-	162,657	32,330,007	32,167,350
	35,919,337	-	184,934	36,104,271	35,919,337
Panama Canal Commission Compensation Fund					
Marketable					
U.S. Treasury Notes					
4.250% maturing November 15, 2014	46,631	239	743	47,613	46,631
	$ 35,965,968	$ 239	$ 185,677	$ 36,151,884	$ 35,965,968
Entity investments	$ 35,838,676	$ 239	$ 185,022	$ 36,023,937	$ 35,838,676
Non-entity investments	127,292	-	655	127,947	127,292
	$ 35,965,968	$ 239	$ 185,677	$ 36,151,884	$ 35,965,968

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable, net as of September 30, 2015, consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 281,752	$ -	$ 281,752
Due for workers' compensation benefits	5,332,848	-	5,332,848
Other	1,799	-	1,799
	5,616,399	-	5,616,399
Entity assets			
State unemployment taxes	1,268,232	(852,937)	415,295
Due from reimbursable employers	588,308	(47,827)	540,481
Benefit overpayments	3,482,077	(2,870,462)	611,615
Other	7,218	-	7,218
	5,345,835	(3,771,226)	1,574,609
Non-entity assets			
Fines and penalties	218,643	(46,041)	172,602
	5,564,478	(3,817,267)	1,747,211
	$ 11,180,877	$ (3,817,267)	$ 7,363,610

The September 30, 2015 intra-governmental balance due for workers' compensation benefits includes a $1.4 billion receivable from the U.S. Postal Service (USPS). Section 8147 of Title 5 of the U.S.C. mandates that USPS reimburse the FECA Special Benefits Fund by October 15, 2015 for benefits incurred on its behalf and administration costs. The October 2015 USPS reimbursement excluded $68 million; however, DOL considers the USPS intra-governmental receivable to be fully collectible.

Accounts receivable, net as of September 30, 2014, consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 348,885	$ -	$ 348,885
Due for workers' compensation benefits	5,262,857	-	5,262,857
Other	7,009	-	7,009
	5,618,751	-	5,618,751
Entity assets			
State unemployment taxes	1,294,831	(870,938)	423,893
Due from reimbursable employers	718,016	(69,204)	648,812
Benefit overpayments	3,912,278	(3,212,275)	700,003
Other	11,699	-	11,699
	5,936,824	(4,152,417)	1,784,407
Non-entity assets			
Fines and penalties	222,614	(118,429)	104,185
	6,159,438	(4,270,846)	1,888,592
	$ 11,778,189	$ (4,270,846)	$ 7,507,343

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

Property, plant and equipment, net as of September 30, 2015, consisted of the following:

(Dollars in thousands)	2015 Cost	2015 Accumulated Depreciation/ Amortization	2015 Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 1,583,712	$ (677,031)	$ 906,681
Improvements to leased facilities	398,274	(298,875)	99,399
	1,981,986	(975,906)	1,006,080
Furniture and equipment			
Equipment held by contractors	136,107	(127,904)	8,203
Furniture and equipment	51,928	(34,588)	17,340
	188,035	(162,492)	25,543
Internal use software and software in development	262,788	(134,172)	128,616
Construction-in-progress	34,773	-	34,773
Land	99,516	-	99,516
	$ 2,567,098	$ (1,272,570)	$ 1,294,528

Property, plant and equipment, net as of September 30, 2014, consisted of the following:

(Dollars in thousands)	2014 Cost	2014 Accumulated Depreciation/ Amortization	2014 Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 1,435,293	$ (630,328)	$ 804,965
Improvements to leased facilities	398,288	(288,939)	109,349
	1,833,581	(919,267)	914,314
Furniture and equipment			
Equipment held by contractors	146,748	(134,906)	11,842
Furniture and equipment	40,540	(31,773)	8,767
	187,288	(166,679)	20,609
Internal use software and software in development	248,404	(115,839)	132,565
Construction-in-progress	123,847	-	123,847
Land	99,534	-	99,534
	$ 2,492,654	$ (1,201,785)	$ 1,290,869

NOTE 6 - ADVANCES

Advances as of September 30, 2015 and 2014, consisted of the following:

(Dollars in thousands)	2015	2014
Intra-governmental		
Advances	$ 11,831	$ 3,410
Advances to states for UI benefit payments	1,341,940	2,155,414
Other	1,793	7,007
	1,343,733	2,162,421
	$ 1,355,564	$ 2,165,831

NOTE 7 - NON-ENTITY ASSETS

Non-entity assets as of September 30, 2015 and 2014, consisted of the following:

(Dollars in thousands)	2015	2014
Intra-governmental		
Funds with U.S. Treasury	$ 4,925	$ 918
Investments	107,868	127,947
	112,793	128,865
Accounts receivable, net of allowance	172,602	104,185
Total non-entity assets	285,395	233,050
Total entity assets	65,941,767	59,887,223
	$ 66,227,162	$ 60,120,273

NOTE 8 - DEBT

Debt during FY 2015 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2014	Additional Borrowing	Repayment of Debt	Interest Change	Balance at September 30, 2015
Intra-governmental debt to Treasury					
Unemployment Trust Fund					
Advances from U.S. Treasury	$ 20,823,599	$ 300,000	$ (8,265,085)	$ (18,449)	$ 12,840,065
Black Lung Disability Trust Fund					
Borrowing from U.S. Treasury	5,872,219	585,000	(891,768)	121,670	5,687,121
	$ 26,695,818	$ 885,000	$ (9,156,853)	$ 103,221	$ 18,527,186

Debt during FY 2014 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2013	Additional Borrowing	Repayment of Debt	Interest Change	Balance at September 30, 2014
Intra-governmental debt to Treasury					
Unemployment Trust Fund					
Advances from U.S. Treasury	$ 29,695,634	$ 2,700,000	$ (11,578,829)	$ 6,794	$ 20,823,599
Black Lung Disability Trust Fund					
Borrowing from U.S. Treasury	6,026,639	496,000	(798,383)	147,963	5,872,219
	$ 35,722,273	$ 3,196,000	$ (12,377,212)	$ 154,757	$ 26,695,818

NOTE 8 - DEBT - Continued

For the year ended September 30, 2015, interest expense for the UTF was $517.6 million, of which $479.9 million was paid, plus an additional interest payment of $56.1 million for interest accrued through September 30, 2014. For the year ended September 30, 2014, interest expense for the UTF was $780.3 million, of which $724.1 million was paid, plus an additional interest payment of $49.4 million for interest accrued through September 30, 2013.

For the year ended September 30, 2015, interest expense for the BLDTF was $216.0 million, of which $121.7 million was capitalized interest and $94.3 million was paid. For the year ended September 30, 2014, interest expense for the BLDTF was $223.8 million, of which $148.0 million was capitalized interest and $75.8 million was paid.

NOTE 9 - OTHER LIABILITIES

Other liabilities as of September 30, 2015 and 2014, consisted of the following:

(Dollars in thousands)	2015	2014
Intra-governmental		
Non-entity receivables due to U.S. Treasury	$ 172,894	$ 104,011
Accrued payroll and other liabilities	175,819	155,705
Total intra-governmental	348,713	259,716
Grant accruals	689,283	793,703
Capital lease liability	38,867	40,379
Environmental and disposal liability	33,393	31,063
Accrued payroll and other liabilities	88,974	79,451
Total other liabilities with the public	850,517	944,596
	$ 1,199,230	$ 1,204,312

The amounts above are current liabilities, except for the capital leases and environmental and disposal liabilities.

NOTE 10 - ACCRUED BENEFITS

Accrued benefits as of September 30, 2015 and 2014, consisted of the following:

(Dollars in thousands)	2015	2014
State regular and extended unemployment benefits payable	$ 646,421	$ 543,540
Federal extended unemployment benefits payable	79,421	95,567
Federal emergency unemployment benefits payable	207,508	204,952
Federal employees' unemployment benefits payable	155,880	174,759
Federal additional unemployment benefits payable	25,812	28,340
Total unemployment benefits payable	1,115,042	1,047,158
Black lung disability benefits payable	20,623	22,381
Federal employees' disability and 10(h) benefits payable	134,697	121,686
Energy employees occupational illness compensation benefits payable	31,482	29,716
	$ 1,301,844	$ 1,220,941

NOTE 11 - FUTURE WORKERS' COMPENSATION BENEFITS

DOL's liability for future workers' compensation benefits as of September 30, 2015 and 2014, consisted of the following:

(Dollars in thousands)	2015	2014
Projected gross liability of the Federal government for future FECA benefits	$ 35,333,800	$ 36,550,420
Less liabilities attributed to other agencies:		
U.S. Postal Service	(15,736,693)	(16,022,491)
Department of the Navy	(2,217,153)	(2,412,365)
Department of Homeland Security	(2,506,660)	(2,539,846)
Department of Veterans Affairs	(2,243,606)	(2,263,351)
Department of the Army	(1,749,103)	(1,866,670)
Department of Justice	(1,654,319)	(1,679,244)
Department of the Air Force	(1,286,627)	(1,395,204)
Department of Transportation	(934,144)	(999,991)
Department of Agriculture	(893,121)	(954,753)
Department of Defense, Other	(803,782)	(856,734)
Department of the Interior	(774,798)	(821,633)
Department of the Treasury	(587,144)	(615,139)
Tennessee Valley Authority	(387,274)	(427,367)
Social Security Administration	(329,399)	(348,538)
Department of Health and Human Services	(271,198)	(288,214)
Department of Commerce	(209,304)	(226,371)
General Services Administration	(121,818)	(132,817)
Department of Energy	(95,810)	(102,200)
Department of State	(88,176)	(96,054)
Department of Housing and Urban Development	(68,657)	(74,365)
National Aeronautics and Space Administration	(43,072)	(47,600)
Environmental Protection Agency	(46,165)	(49,060)
Small Business Administration	(31,691)	(34,627)
Agency for International Development	(24,731)	(26,520)
Office of Personnel Management	(22,825)	(25,692)
Department of Education	(14,549)	(16,328)
Nuclear Regulatory Commission	(6,040)	(6,669)
National Science Foundation	(1,215)	(1,330)
Other	(705,461)	(723,801)
	(33,854,535)	(35,054,974)
	$ 1,479,265	$ 1,495,446
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	$ 1,223,125	$ 1,217,382
FECA benefits due to eligible workers of DOL and Job Corps enrollees	218,055	234,974
FECA benefits due to eligible workers of the Panama Canal Commission	38,085	43,090
	$ 1,479,265	$ 1,495,446

NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources as of September 30, 2015 and 2014, consisted of the following:

(Dollars in thousands)	2015	2014
Intra-governmental		
Debt	$ 18,527,186	$ 26,695,818
Future workers' compensation benefits	150,736	106,167
Accrued annual leave	109,125	116,755
Other liabilities	67,969	64,320
	327,830	287,242
Total liabilities not covered by budgetary resources	18,855,016	26,983,060
Total liabilities covered by budgetary resources	18,881,357	20,021,448
	$ 37,736,373	$ 47,004,508

NOTE 13 - CONTINGENCIES

The Department is involved in various lawsuits incidental to its operations. In the opinion of management, the ultimate resolution of pending litigation will not have a material effect on the Department’s financial position.

NOTE 14 - PENSION EXPENSE

Pension expense in FY 2015 consisted of the following:

(Dollars in thousands)	Employer Contributions	Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 8,855	$ 23,746	$ 32,601
Federal Employees' Retirement System	171,759	12,545	184,304
Thrift Savings Plan	57,630	-	57,630
	$ 238,244	$ 36,291	$ 274,535

Pension expense in FY 2014 consisted of the following:

(Dollars in thousands)	Employer Contributions	Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 10,417	$ 27,197	$ 37,614
Federal Employees' Retirement System	151,085	25,104	176,189
Thrift Savings Plan	55,252	-	55,252
	$ 216,754	$ 52,301	$ 269,055

NOTE 15 - NET COST OF OPERATIONS

Note 15 A and B present detailed cost and revenue information by program and program agency (responsibility segment) in support of the summary information presented in the Consolidated Statements of Net Cost for FY 2015 and FY 2014, respectively. Note 15 C presents a further breakdown of this cost and revenue information for DOL's two largest program agencies, ETA, and the OWCP. (See Note 1-A.1 and 1-S)

NOTE 15 - NET COST OF OPERATIONS - Continued

A. Consolidating Statements of Net Cost by Program Agency

Net cost of operations by program agency for the year ended September 30, 2015, consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs	Office of Job Corps	Occupational Safety and Health Administration
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 632,423	$ 307,848	$ -	$ -
With the public	36,839,537	3,595,476	-	-
Gross cost	37,471,960	3,903,324	-	-
Intra-governmental earned revenue	(704,239)	(3,051,212)	-	-
Public earned revenue	-	(1,172)	-	-
Less earned revenue	(704,239)	(3,052,384)	-	-
Net program cost	36,767,721	850,940	-	-
Employment and training				
Intra-governmental	46,026	-	32,142	-
With the public	4,326,986	-	1,572,810	-
Gross cost	4,373,012	-	1,604,952	-
Intra-governmental earned revenue	(12,854)	-	(104)	-
Public earned revenue	-	-	-	-
Less earned revenue	(12,854)	-	(104)	-
Net program cost	4,360,158	-	1,604,848	-
Labor, employment and pension standards				
Intra-governmental	-	-	-	-
With the public	-	-	-	-
Gross cost	-	-	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
Worker safety and health				
Intra-governmental	-	-	-	134,341
With the public	-	-	-	480,133
Gross cost	-	-	-	614,474
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	(1,210)
Less earned revenue	-	-	-	(1,210)
Net program cost	-	-	-	613,264
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	-
With the public	-	-	-	-
Gross cost	-	-	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 41,127,879	$ 850,940	$ 1,604,848	$ 613,264

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Wage and Hour Division	Other Program Agencies	Total
$ -	$ -	$ 492	$ 33	$ -	$ -	$ 940,796
-	-	2,108	141	-	6,274	40,443,536
-	-	2,600	174	-	6,274	41,384,332
-	-	(997)	(66)	-	-	(3,756,514)
-	-	-	-	-	-	(1,172)
-	-	(997)	(66)	-	-	(3,757,686)
-	-	1,603	108	-	6,274	37,626,646
-	-	-	13,662	8	-	91,838
-	-	-	253,374	-	757	6,153,927
-	-	-	267,036	8	757	6,245,765
-	-	-	(208)	-	(330)	(13,496)
-	-	-	-	-	-	-
-	-	-	(208)	-	(330)	(13,496)
-	-	-	266,828	8	427	6,232,269
-	83	58,382	419	100,795	63,561	223,240
-	180	170,478	7,881	212,265	250,836	641,640
-	263	228,860	8,300	313,060	314,397	864,880
-	-	(6,822)	(45)	-	(4,967)	(11,834)
-	-	-	-	-	-	-
-	-	(6,822)	(45)	-	(4,967)	(11,834)
-	263	222,038	8,255	313,060	309,430	853,046
-	135,551	-	-	-	-	269,892
-	305,645	-	-	-	4	785,782
-	441,196	-	-	-	4	1,055,674
-	(1,347)	-	-	-	-	(1,347)
-	(1,875)	-	-	-	-	(3,085)
-	(3,222)	-	-	-	-	(4,432)
-	437,974	-	-	-	4	1,051,242
216,033	-	-	-	-	-	216,033
429,517	-	-	-	-	10	429,527
645,550	-	-	-	-	10	645,560
(28,364)	-	-	-	-	-	(28,364)
(459)	-	-	-	-	-	(459)
(28,823)	-	-	-	-	-	(28,823)
616,727	-	-	-	-	10	616,737
-	-	-	-	-	17,825	17,825
-	-	-	-	-	(572)	(572)
-	-	-	-	-	17,253	17,253
$ 616,727	$ 438,237	$ 223,641	$ 275,191	$ 313,068	$ 333,398	$ 46,397,193

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 15 - NET COST OF OPERATIONS - Continued

B. Consolidating Statements of Net Cost by Program Agency

Net cost of operations by program agency for the year ended September 30, 2014, consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs	Office of Job Corps	Occupational Safety and Health Administration
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 889,609	$ 307,020	$ -	$ -
With the public	45,040,591	4,509,356	-	-
Gross cost	45,930,200	4,816,376	-	-
Intra-governmental earned revenue	(831,755)	(2,964,728)	-	-
Public earned revenue	(310)	(9,490)	-	-
Less earned revenue	(832,065)	(2,974,218)	-	-
Net program cost	45,098,135	1,842,158	-	-
Employment and training				
Intra-governmental	41,310	-	28,677	-
With the public	4,415,412	-	1,508,563	-
Gross cost	4,456,722	-	1,537,240	-
Intra-governmental earned revenue	(99)	-	(24)	-
Public earned revenue	-	-	-	-
Less earned revenue	(99)	-	(24)	-
Net program cost	4,456,623	-	1,537,216	-
Labor, employment and pension standards				
Intra-governmental	-	-	-	-
With the public	-	-	-	-
Gross cost	-	-	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
Worker safety and health				
Intra-governmental	-	-	-	119,419
With the public	-	-	-	481,052
Gross cost	-	-	-	600,471
Intra-governmental earned revenue	-	-	-	(376)
Public earned revenue	-	-	-	(1,846)
Less earned revenue	-	-	-	(2,222)
Net program cost	-	-	-	598,249
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	-
With the public	-	-	-	-
Gross cost	-	-	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 49,554,758	$ 1,842,158	$ 1,537,216	$ 598,249

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Wage and Hour Division	Other Program Agencies	Total
$ -	$ -	$ 396	$ 26	$ -	$ -	$ 1,197,051
-	-	1,716	114	-	8,662	49,560,439
-	-	2,112	140	-	8,662	50,757,490
-	-	(227)	(15)	-	-	(3,796,725)
-	-	-	-	-	-	(9,800)
-	-	(227)	(15)	-	-	(3,806,525)
-	-	1,885	125	-	8,662	46,950,965
-	-	-	10,967	9	2,734	83,697
-	-	-	252,220	48	7,349	6,183,592
-	-	-	263,187	57	10,083	6,267,289
-	-	-	(53)	-	(75)	(251)
-	-	-	-	-	-	-
-	-	-	(53)	-	(75)	(251)
-	-	-	263,134	57	10,008	6,267,038
-	77	56,671	332	86,258	59,158	202,496
-	168	163,999	7,650	214,867	195,914	582,598
-	245	220,670	7,982	301,125	255,072	785,094
-	-	(230)	(10)	(5)	(1,359)	(1,604)
-	-	(2)	-	(2,800)	-	(2,802)
-	-	(232)	(10)	(2,805)	(1,359)	(4,406)
-	245	220,438	7,972	298,320	253,713	780,688
-	125,790	-	-	-	-	245,209
-	320,027	-	-	-	-	801,079
-	445,817	-	-	-	-	1,046,288
-	(312)	-	-	-	-	(688)
-	(2,026)	-	-	-	-	(3,872)
-	(2,338)	-	-	-	-	(4,560)
-	443,479	-	-	-	-	1,041,728
222,862	-	-	-	-	-	222,862
412,815	-	-	-	-	-	412,815
635,677	-	-	-	-	-	635,677
(17,196)	-	-	-	-	-	(17,196)
-	-	-	-	-	-	-
(17,196)	-	-	-	-	-	(17,196)
618,481	-	-	-	-	-	618,481
-	-	-	-	-	30,394	30,394
-	-	-	-	-	(296)	(296)
-	-	-	-	-	30,098	30,098
$ 618,481	$ 443,724	$ 222,323	$ 271,231	$ 298,377	$ 302,481	$ 55,688,998

NOTE 15 - NET COST OF OPERATIONS – Continued

C. Statements of Net Cost - Employment and Training Administration and Office of Workers' Compensation Programs

Net cost of operations for the year ended September 30, 2015, consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs
CROSSCUTTING PROGRAMS		
Income maintenance		
Benefits	$ 31,742,589	$ 3,296,197
Grants	3,930,663	-
Interest	518,896	215,960
Administrative and other	1,279,812	391,167
Gross cost	37,471,960	3,903,324
Less earned revenue	(704,239)	(3,052,384)
Net program cost	36,767,721	850,940
Employment and training		
Grants	4,122,522	-
Administrative and other	250,490	-
Gross cost	4,373,012	-
Less earned revenue	(12,854)	-
Net program cost	4,360,158	-
Net cost of operations	$ 41,127,879	$ 850,940

Net cost of operations for the year ended September 30, 2014, consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs
CROSSCUTTING PROGRAMS		
Income maintenance		
Benefits	$ 39,588,100	$ 4,213,783
Grants	4,243,834	-
Interest	781,245	223,823
Administrative and other	1,317,021	378,770
Gross cost	45,930,200	4,816,376
Less earned revenue	(832,065)	(2,974,218)
Net program cost	45,098,135	1,842,158
Employment and training		
Grants	4,166,872	-
Administrative and other	289,850	-
Gross cost	4,456,722	-
Less earned revenue	(99)	-
Net program cost	4,456,623	-
Net cost of operations	$ 49,554,758	$ 1,842,158

NOTE 16 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statements of Changes in Net Position in FY 2015 and FY 2014 consisted of the following:

(Dollars in thousands)	2015	2014
Employer taxes		
Unemployment Trust Fund		
State unemployment taxes	$ 40,157,002	$ 44,100,597
Federal unemployment taxes	8,919,451	8,469,495
	49,076,453	52,570,092
Black Lung Disability Trust Fund excise taxes	552,435	580,779
	49,628,888	53,150,871
Interest		
Unemployment Trust Fund	1,193,972	1,205,037
Other	891	1,289
	1,194,863	1,206,326
Reimbursement of unemployment benefits and other	1,910,132	2,177,300
	$ 52,733,883	$ 56,534,497

NOTE 17 - TRANSFERS WITHOUT REIMBURSEMENT

Transfers from other Federal agencies in FY 2015 and FY 2014 consisted of the following:

(Dollars in thousands)	2015	2014
Budgetary financing sources		
From H-1B Nonimmigrant Petitioner Account, Department of Homeland Security and other	$ 242,522	$ 223,423
Other financing sources		
From General Services Administration	4,544	6,498
	$ 247,066	$ 229,921

The balance of $242.5 million and $223.4 million in budgetary financing sources for FY 2015 and FY 2014, reflect the elimination of intra-DOL transfers of ($3.7) billion and $1 billion, respectively.

NOTE 18 - STATUS OF BUDGETARY RESOURCES

A. Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Combined Statements of Budgetary Resources in FY 2015 and FY 2014 consisted of the following:

(Dollars in thousands)	2015	2014
Direct obligations		
Category A	$ 4,632,926	$ 4,840,064
Category B	8,988,042	14,883,429
Exempt from apportionment	37,611,645	47,125,978
Total direct obligations	51,232,613	66,849,471
Reimbursable obligations		
Category A	331,222	293,824
Category B	3,125,258	2,777,857
Total reimbursable obligations	3,456,480	3,071,681
	$ 54,689,093	$ 69,921,152

B. Permanent Indefinite Appropriations

DOL's permanent indefinite appropriations include trust funds, the FAUC Fund, the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund, ETA and WHD H-1B funds, ETA's Advances and Payments to the UTF, Short-Time Compensation, 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. As of September 30, 2015 and 2014, the Department returned unobligated, indefinite authority to Treasury in the amount of $2.1 billion and $1.35 billion, respectively.

C. Legal Arrangements Affecting Use of Unobligated Balances

UTF receipts are reported as budget authority in the Combined Statements 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 is classified as temporarily not available pursuant to public law at September 30. Therefore, these excess receipts are reported as a reduction to Appropriations and Unobligated Balances – Exempt from Apportionment in the Combined Statements of Budgetary Resources. Conversely, when obligations exceed receipts in the current year, amounts are drawn from the temporarily unavailable collections to increase current year Appropriations and Unobligated Balances – Exempt from Apportionment on the Combined Statements of Budgetary Resources to cover these obligations. All excess receipts are reported as assets of the UTF and are included in the Consolidated Balance Sheets.

The cumulative amounts of excess UTF receipts are denoted as unavailable collections in the Budget of the United States Government. The cumulative amount of these excess receipts as of September 30, 2015 and 2014, reclassified from unobligated balances to UTF unavailable collections is presented on the following page.

NOTE 18 - STATUS OF BUDGETARY RESOURCES - Continued

C. Legal Arrangements Affecting Use of Unobligated Balances - Continued

(Dollars in millions)	2015	2014
Unemployment Trust Fund unavailable collections, beginning	$ 31,807	$ 24,378
Budget authority from current year appropriations	$ 45,088	$ 50,493
Budget authority from current year borrowing authority	-	2,700
Less: obligations	(36,275)	(45,764)
Excess of budget authority over obligations	8,813	7,429
Unemployment Trust Fund unavailable collections, ending	$ 40,620	$ 31,807

D. Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government for FY 2014

The Budget of the United States Government with actual amounts for the year ended September 30, 2015, has not been published as of the issue date of these financial statements. This document will be available in February 2016 at OMB's website.

A reconciliation of budgetary resources, obligations incurred, distributed offsetting receipts, and net outlays, as presented in the Combined Statement of Budgetary Resources (SBR) for FY 2014, to amounts included in the Budget of the United States Government for the year ended September 30, 2014, is shown below.

(Dollars in millions)	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 74,533	$ 69,921	$ 6,482	$ 62,890
Pension Benefit Guaranty Corporation reported separately	22,938	6,008	-	230
Fiduciary activity	191	130	-	129
Expired accounts	(1,568)	(131)	-	-
Other	(2)	(2)	-	1
Budget of the United States Government	$ 96,092	$ 75,926	$ 6,482	$ 63,250

E. Undelivered Orders

Undelivered orders as of September 30, 2015 and 2014, were as follows:

(Dollars in thousands)	2015	2014
Undelivered orders	$ 10,726,781	$ 12,075,285

NOTE 18 - STATUS OF BUDGETARY RESOURCES - Continued

F. Appropriations Received

Appropriations from the Consolidated Statements of Changes in Net Position and the Combined Statements of Budgetary Resources are reconciled below.

(Dollars in millions)	FY 2015	FY 2014
Appropriations Received, Consolidated Statements of Changes in Net Position	$ 10,450	$ 16,857
Receipts recognized as revenue in current or prior years		
Unemployment Trust Fund	44,239	54,645
Black Lung Disability Trust Fund	628	598
Other funds from dedicated collections	240	221
Repayment of debt from appropriated receipts		
Unemployment Trust Fund	(7,965)	(11,579)
Black Lung Disability Trust Fund	(307)	(302)
Return of permanent indefinite authority	(321)	(901)
Reduction for sequestration, across the board reductions, and other	(73)	(103)
	36,441	42,579
Appropriations, Combined Statements of Budgetary Resources	$ 46,891	$ 59,436

G. Borrowing Authority

As of September 30, 2015 and 2014, P.L. 113-235 and P.L. 113-76 (128 Stat. 352 dated January 17, 2014), respectively, granted borrowing authority for repayable advances and other debt in the amount of “such sums as may be necessary” to (1) the UTF for advances as authorized by sections 905(d) and 1203 of the Social Security Act and (2) the BLDTF for advances as authorized by section 9501(c)(1) of the Internal Revenue Code. Although section 9501 of the Internal Revenue Code and P.L. 113-76 use the terminology “advance," the Treasury has interpreted this to mean any debt owed by the BLDTF to the Bureau of the Fiscal Service.

Borrowing authority for the UTF was $300 million (of which all was repaid) and $2.7 billion for FY 2015 and FY 2014, respectively. The borrowing authority was used to allow states to borrow, as necessary, from the Federal government to pay unemployment benefits.

Borrowing authority for the BLDTF was $585 million and $496 million for FY 2015 and FY 2014, respectively. The borrowing authority was applied to repay debt of $585 million and $496 million for FY 2015 and FY 2014, respectively.

NOTE 19 - RECONCILIATION OF BUDGETARY RESOURCES OBLIGATED TO NET COST OF OPERATIONS

(Dollars in thousands)	FY 2015	FY 2014
Resources used to finance activities		
Budgetary resources obligated		
Obligations incurred	$ 54,689,093	$ 69,921,152
Recoveries of prior year unpaid obligations	(564,577)	(436,816)
Less: spending authority from offsetting collections	(7,442,482)	(7,604,889)
Obligations, net of offsetting collections and recoveries	46,682,034	61,879,447
Other resources		
Imputed financing from costs absorbed by others	108,405	120,547
Transfers without Reimbursement	4,544	6,498
Exchange revenue not in budget	(773,760)	(738,077)
Total resources used to finance activities	46,021,223	61,268,415
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	1,383,527	(444,498)
Resources that finance the acquisition of assets	(87,620)	(93,847)
Transfers that do not affect the net cost of operations	(39,807)	(5,012,892)
Total resources used to finance items not part of the net cost of operations	1,256,100	(5,551,237)
Total resources used to finance the net cost of operations	47,277,323	55,717,178
Components of the net cost of operations that will not require or generate resources in the current period		
Components requiring or generating resources in other periods		
Increase (decrease) in annual leave liability	(7,191)	691
Increase (decrease) in benefits liabilities	(1,178,056)	(189,774)
Increase in capitalized interest	121,670	147,963
Others	10,674	(75,871)
Total	(1,052,903)	(116,991)
Components not requiring or generating resources		
Depreciation and amortization	82,619	71,683
Revaluation of assets and liabilities	853,461	904,334
Benefit overpayments	(763,307)	(887,206)
Total	172,773	88,811
Total components of the net cost of operations that will not require or generate resources in the current period	(880,130)	(28,180)
Net cost of operations	$ 46,397,193	$ 55,688,998

NOTE 20 - CUSTODIAL REVENUE

Custodial revenues in FY 2015 consisted of the following:

(Dollars in thousands)	Net Cash Collections and Transfers to U.S. Treasury General Fund	Increase (Decrease) in Amounts to be Collected and Transferred	Total Revenues
Civil monetary penalties			
Occupational Safety and Health Administration	$ 103,060	$ 76,803	$ 179,863
Mine Safety and Health Administration	70,207	(787)	69,420
Employee Benefits Security Administration	18,159	(642)	17,517
Wage and Hour Division	35,721	1,667	37,388
	227,147	77,041	304,188
Other custodial activity			
Employment and Training Administration and other agencies	5,739	(9,719)	(3,980)
	$ 232,886	$ 67,322	$ 300,208

Custodial revenues in FY 2014 consisted of the following:

(Dollars in thousands)	Net Cash Collections and Transfers to U.S. Treasury General Fund	Increase (Decrease) in Amounts to be Collected and Transferred	Total Revenues
Civil monetary penalties			
Occupational Safety and Health Administration	$ 102,966	$ (5,714)	$ 97,252
Mine Safety and Health Administration	79,869	(5,480)	74,389
Employee Benefits Security Administration	21,688	506	22,194
Wage and Hour Division	32,734	(16)	32,718
	237,257	(10,704)	226,553
Other custodial activity			
Employment and Training Administration and other agencies	3,219	(326)	2,893
	$ 240,476	$ (11,030)	$ 229,446

NOTE 21 – FUNDS FROM DEDICATED COLLECTIONS

DOL is responsible for the operation of certain funds from dedicated collections. Other funds from dedicated collections include Gifts and Bequests, Panama Canal Commission Compensation Fund, and H-1B Funds. The financial position of the funds from dedicated collections as of September 30, 2015, is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ 37,332	$ 37,192	$ 785,047	$ 859,571
Investments	44,601,914	-	42,564	44,644,478
Accounts receivable				
Due from other Federal agencies for UCFE and UCX benefits	281,752	-	-	281,752
Other	-	-	6,033	6,033
Total intra-governmental	44,920,998	37,192	833,644	45,791,834
Accounts receivable, net of allowance				
State unemployment tax	415,295	-	-	415,295
Due from reimbursable employers	540,481	-	-	540,481
Benefit overpayments	564,823	17,667	-	582,490
Other	69	-	3	72
Advances	1,323,196	-	1	1,323,197
Other	-	-	498	498
Total assets	$ 47,764,862	$ 54,859	$ 834,146	$ 48,653,867
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	$ 1,689,100	$ -	$ 54	$ 1,689,154
Debt	12,840,065	5,687,121	-	18,527,186
Amounts held for the Railroad Retirement Board	106,819	-	-	106,819
Other	-	1	9,967	9,968
Total intra-governmental	14,635,984	5,687,122	10,021	20,333,127
Accounts payable	-	-	5,221	5,221
Future workers' compensation benefits	-	-	38,085	38,085
Accrued benefits	1,089,230	11,945	-	1,101,175
Other liabilities	-	-	22,942	22,942
Total liabilities	15,725,214	5,699,067	76,269	21,500,550
Net position				
Cumulative results of operations	32,039,648	(5,644,208)	757,877	27,153,317
Total liabilities and net position	$ 47,764,862	$ 54,859	$ 834,146	$ 48,653,867

NOTE 21 - FUNDS FROM DEDICATED COLLECTIONS - Continued

The net results of operations of the funds from dedicated collections for the year ended September 30, 2015, are shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Cost, net of earned revenues				
Benefits	$ (31,754,445)	$ (162,347)	$ -	$ (31,916,792)
Grants	-	-	(113,853)	(113,853)
Interest	(518,896)	(215,958)	-	(734,854)
Administrative and other	(1,064,603)	(4,451)	(71,121)	(1,140,175)
	(33,337,944)	(382,756)	(184,974)	(33,905,674)
Earned revenue	707,896	-	-	707,896
Net cost of operations	(32,630,048)	(382,756)	(184,974)	(33,197,778)
Net financing sources				
Taxes	49,076,453	552,435	-	49,628,888
Interest	1,193,972	840	51	1,194,863
Reimbursement of unemployment benefits and other	1,902,743	-	-	1,902,743
Imputed financing	-	-	2,868	2,868
Transfers-in				
Department of Homeland Security	-	-	257,443	257,443
DOL entities	42,485	-	-	42,485
Transfers-out				
DOL entities	(3,905,721)	(59,375)	-	(3,965,096)
Other	-	-	(17,600)	(17,600)
	48,309,932	493,900	242,762	49,046,594
Change in net position	15,679,884	111,144	57,788	15,848,816
Net position, beginning of period	16,359,764	(5,755,352)	700,089	11,304,501
Net position, end of period	$ 32,039,648	$ (5,644,208)	$ 757,877	$ 27,153,317

NOTE 21 - FUNDS FROM DEDICATED COLLECTIONS - Continued

The financial position of the funds from dedicated collections as of September 30, 2014, is shown below. See Note 2 for the explanation of the negative FBWT.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ (4,064)	$ 111,966	$ 729,190	$ 837,092
Investments	36,104,271	-	47,613	36,151,884
Accounts receivable				
Due from other Federal agencies for UCFE and UCX benefits	348,885	-	-	348,885
Other	-	-	3,060	3,060
Total intra-governmental	36,449,092	111,966	779,863	37,340,921
Accounts receivable, net of allowance				
State unemployment tax	423,893	-	-	423,893
Due from reimbursable employers	648,812	-	-	648,812
Benefit overpayments	655,009	17,410	-	672,419
Other	84	-	2	86
Advances	2,134,502	-	-	2,134,502
Other	-	-	652	652
Total assets	$ 40,311,392	$ 129,376	$ 780,517	$ 41,221,285
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	$ 1,983,842	$ -	$ 1	$ 1,983,843
Debt	20,823,599	5,872,219	-	26,695,818
Amounts held for the Railroad Retirement Board	125,370	-	-	125,370
Other	-	1	10,238	10,239
Total intra-governmental	22,932,811	5,872,220	10,239	28,815,270
Accounts payable	-	-	4,204	4,204
Future workers' compensation benefits	-	-	43,090	43,090
Accrued benefits	1,018,818	12,508	-	1,031,326
Other liabilities	-	-	22,894	22,894
Total liabilities	23,951,629	5,884,728	80,427	29,916,784
Net position				
Cumulative results of operations	16,359,763	(5,755,352)	700,090	11,304,501
Total liabilities and net position	$ 40,311,392	$ 129,376	$ 780,517	$ 41,221,285

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 21 – FUNDS FROM DEDICATED COLLECTIONS - Continued

The net results of operations of the funds from dedicated collections for the year ended September 30, 2014, are shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Cost, net of earned revenues				
Benefits	$ (39,597,023)	$ (164,812)	$ -	$ (39,761,835)
Grants	-	-	(94,112)	(94,112)
Interest	(781,245)	(223,823)	-	(1,005,068)
Administrative and other	(1,117,028)	-	(77,940)	(1,194,968)
	(41,495,296)	(388,635)	(172,052)	(42,055,983)
Earned revenue	827,220	-	-	827,220
Net cost of operations	(40,668,076)	(388,635)	(172,052)	(41,228,763)
Net financing sources				
Taxes	52,570,092	580,779	-	53,150,871
Interest	1,205,037	1,223	66	1,206,326
Reimbursement of unemployment benefits and other	2,171,480	-	-	2,171,480
Imputed financing	-	-	3,284	3,284
Transfers-in				
Department of Homeland Security	-	-	237,624	237,624
DOL entities	5,015,034	-	-	5,015,034
Transfers-out				
DOL entities	(4,141,947)	(54,497)	-	(4,196,444)
Other	-	-	(16,343)	(16,343)
	56,819,696	527,505	224,631	57,571,832
Change in net position	16,151,620	138,870	52,579	16,343,069
Net position, beginning of period	208,143	(5,894,222)	647,511	(5,038,568)
Net position, end of period	$ 16,359,763	$ (5,755,352)	$ 700,090	$ 11,304,501

NOTE 22 - FIDUCIARY ACTIVITY

The schedule of fiduciary activity and net assets for the fiduciary funds for the year ended and as of September 30, 2015, is shown below.

(Dollars in thousands)	Wage and Hour and Public Contracts Restitution Fund	Longshore and Harbor Workers' Compensation Act Trust Fund	District of Columbia Workmen's Compensation Act Trust Fund	Davis-Bacon Act Trust Fund	Total Fiduciary Funds
Fiduciary activity					
Assessments	$ 70,814	$ 112,528	$ 7,259	$ -	$ 190,601
Transfer of funds from GAO	-	-	-	-	-
Investment earnings	-	8	1	-	9
Administrative and other	-	5	(1)	7	11
Transfer of funds to Treasury	(20,293)	(2,177)	-	-	(22,470)
Disbursements to beneficiaries	(52,778)	(114,639)	(7,826)	(7)	(175,250)
Increase (decrease) in fiduciary net assets	(2,257)	(4,275)	(567)	-	(7,099)
Fiduciary net assets, beginning of year	164,152	20,560	2,764	-	187,476
Fiduciary net assets, end of year	$ 161,895	$ 16,285	$ 2,197	$ -	$ 180,377
Fiduciary assets					
Cash	$ 158,375	$ 95	$ 1	$ 5,270	$ 163,741
Investments	-	51,900	3,837	-	55,737
Other assets	3,520	3,007	834	-	7,361
Less: liabilities	-	(38,717)	(2,475)	(5,270)	(46,462)
Total fiduciary net assets	$ 161,895	$ 16,285	$ 2,197	$ -	$ 180,377

The schedule of fiduciary activity and net assets for the fiduciary funds for the year ended and as of September 30, 2014, is shown below.

(Dollars in thousands)	Wage and Hour and Public Contracts Restitution Fund	Longshore and Harbor Workers' Compensation Act Trust Fund	District of Columbia Workmen's Compensation Act Trust Fund	Davis-Bacon Act Trust Fund	Total Fiduciary Funds
Fiduciary activity					
Assessments	$ 71,778	$ 119,053	$ 6,111	$ -	$ 196,942
Transfer of funds from GAO	-	-	-	5,277	5,277
Investment earnings	-	12	2	-	14
Administrative and other	-	32	2	(5,277)	(5,243)
Transfer of funds to Treasury	(17,643)	(2,142)	-	-	(19,785)
Disbursements to beneficiaries	(39,767)	(119,084)	(8,197)	-	(167,048)
Increase (decrease) in fiduciary net assets	14,368	(2,129)	(2,082)	-	10,157
Fiduciary net assets, beginning of year	149,784	22,689	4,846	-	177,319
Fiduciary net assets, end of year	$ 164,152	$ 20,560	$ 2,764	$ -	$ 187,476
Fiduciary assets					
Cash	$ 162,542	$ 1	$ 2	$ 5,277	$ 167,822
Investments	-	58,693	4,432	-	63,125
Other assets	1,610	2,467	42	-	4,119
Less: liabilities	-	(40,601)	(1,712)	(5,277)	(47,590)
Total fiduciary net assets	$ 164,152	$ 20,560	$ 2,764	$ -	$ 187,476

Note 22 - FIDUCIARY ACTIVITY - Continued

The FY 2014 audits were performed on the Longshore and Harbor Workers' Compensation Act Trust Fund and the District of Columbia Workmen's Compensation Act Trust Fund and are available on DOL's website.

NOTE 23 - MATERIAL CONCENTRATION OF RISK

The Division of FEC within OWCP administers the payment of workers' compensation benefits to federal and postal workers for employment-related injuries and occupational diseases. Federal agencies and the U.S. Postal Service (USPS) reimburse the FECA Special Benefit Fund for payments made on behalf of its workers. In Note 11, Future Workers' Compensation Benefits, the USPS liability as of September 30, 2015, of $15.7 billion represents the largest portion of the total projected gross liability of the Federal government for future FECA benefits attributed to other agencies of $33.8 billion as of September 30, 2015.

In October 2014, USPS timely reimbursed the FECA Special Benefit Fund for costs incurred on its behalf during the 12 months ended June 30, 2014. In October 2015, USPS reimbursed the FECA Special Benefit Fund nearly $1.4 billion for costs incurred on its behalf during the 12 months ended June 30, 2015, but excluded $68 million from its reimbursement. The USPS disclosed its lack of liquidity in its FY 2014 audited financial statements and it's FY 2015 interim unaudited financial statements. The USPS's portion of the FECA actuarial liability as of September 30, 2015, together with the USPS's poor financial condition, represent a material concentration of risk for the Department.

NOTE 24 - SUBSEQUENT EVENTS

Except for the USPS October 2015 reimbursement to the FECA Special Benefit Fund as disclosed in Note 4 and Note 23, management has determined that there are no subsequent events requiring accrual or disclosure through November 19, 2015.

Required Supplementary Stewardship Information

(Unaudited)

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

STEWARDSHIP INVESTMENTS IN HUMAN CAPITAL

Stewardship investments are made by DOL on behalf of the nation, providing long-term benefits that cannot be measured in traditional financial reports. These investments are made for the general public, and are intended to maintain or increase national economic productive capacity. DOL's stewardship investments are in human capital, reported as employment and training expenses in DOL's net cost of operations. Within DOL, the Employment and Training Administration (ETA), including the Office of Job Corps (OJC), and the Veterans' Employment and Training Service (VETS) administer training programs that invest in human capital.

Employment and Training Administration, Including the Office of Job Corps

ETA, including the Office of Job Corps, incurred total net costs of $42.7 billion in FY 2015. The majority of these costs consisted of unemployment benefits, which totaled $31.7 billion in FY 2015, a decrease of $7.9 billion (-19.9%) over the previous fiscal year. Also included in ETA's total net costs were investments in human capital of $4.4 billion, which provided services to over 8.2 million participants in FY 2015. These investments were made through job training programs authorized by the Workforce Investment Act of 1998 (WIA), Title V of the Older Americans Act, as amended, the Trade Act of 1974, as amended, the Health Care and Education Reconciliation Act of 2010, the National Apprenticeship Act of 1937, the American Recovery and Reinvestment Act of 2009 (ARRA) and other legislation.

Within ETA the Office of Job Corps also invests in human capital through WIA's Job Corps training program. OJC's investment in human capital in FY 2015 was $1.6 billion, providing services to 109.5 thousand participants in primarily residential settings at 125 Job Corps centers. The ETA and OJC job training programs authorized by WIA are discussed below.

Adult, Dislocated Worker, Youth and Job Corps Programs
Authorized by the Workforce Investment Act (WIA) of 1998

- **Adult employment and training programs** – ETA awards grants to states to design and operate training and employment assistance programs for disadvantaged adults, including public assistance recipients. ETA's FY 2015 investment in human capital through WIA adult programs was $852 million.
- **Dislocated worker employment and training programs** – ETA awards grants to states to provide reemployment services and retraining assistance to individuals dislocated from their employment. ETA's FY2015 investment in human capital through WIA dislocated worker programs was $1.2 billion.
- **Youth programs** – ETA awards grants to states to support a wide range of program activities and services to prepare low-income youth for academic and employment success, including summer jobs, by linking academic and occupational learning with youth development activities. ETA's FY 2015 investment in human capital through WIA youth programs was $878 million.
- **Job Corps program** – ETA's Office of Job Corps awards contracts to support a system of primarily residential centers offering basic academic education, career technical training, work experience and other support, to economically disadvantaged youth. Large and small corporations and non-profit organizations manage and operate 97 Job Corps centers under these contractual arrangements. The remaining 28 centers are operated through interagency agreements between DOL and the U.S. Department of Agriculture. In addition, 24 operators are contracted to provide outreach and admissions and career transition services. OJC's FY 2015 investment in human capital through the Job Corps program was $1.6 billion.
- **Reintegration of Ex-Offenders programs** – ETA supports programs to help individuals exiting prison make a successful transition to community life and long-term employment through the provision of mentoring and job training programs to promote the successful return of adult and juvenile ex-offenders into mainstream society. ETA's FY 2015 investment in human capital through ex-offender programs was $69 million.

- **National programs** – ETA's National programs provide evaluation resources and program support for WIA activities; including nationally administered programs providing employment and training services to segments of the population that have special disadvantages in the labor market, including grants to federally recognized Indian tribes and other Native American governments or non-profit organizations, and to Migrant and Seasonal Farmworker service organizations. ETA's FY 2015 human capital investment in WIA National Programs was $140 million.

Community Service Employment for Older Americans (CSEOA) Program

ETA also invests in human capital through the Community Service Employment for Older Americans program, authorized under Title V of the Older Americans Act, as amended in 2006. Known as the Senior Community Service Employment Program (SCSEP), the SCSEP is a federally sponsored community service employment and training program that provides part-time training through on-the-job work experience in community service activities for unemployed, low-income individuals ages 55 and older, so that they can prepare to enter or re-enter the workforce. ETA's FY 2015 investment in human capital through the CSEOA's SCSEP was $436 million.

Trade Adjustment Assistance for Workers Program

The TAA for Workers program was authorized by the Trade Act of 1974, as amended and reauthorized with expanded eligibility to service sector workers by the Trade and Globalization Adjustment Assistance Act of 2009. This expanded eligibility was extended through December 31, 2014, by the Trade Adjustment Assistance Extension Act of 2011. Further amendments made through the Trade Adjustment Assistance Reauthorization Act of 2015 (TAARA 2015) reauthorized the TAA program through June 30, 2021, and changed group eligibility requirements, and individual benefits and services available under the TAA program. The TAA for Workers program provides cash benefits; job search and relocation allowances; employment services; and training to eligible workers displaced by international trade. Only TAA training costs are considered investments in human capital these costs were $232 million for FY 2015.

Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant Fund

Implemented in cooperation with the Department of Education, the TAACCCT program provides grants to eligible institutions of higher learning to improve education and employment outcomes for students. Authorized by the Trade Act of 1974 and Health Care and Education Reconciliation Act of 2010, the program enables educational institutions to prepare students to succeed in growing occupations by acquiring the skills necessary for high-wage, in-demand jobs. ETA's FY 2015 human capital investment in the TAACCCT Grant Fund was $413 million.

National Apprenticeship Program

The National Apprenticeship Act of 1937 established the foundation for development of the nation's skilled workforce through apprenticeship programs, which combine on-the-job learning with related technical instruction to teach workers the theoretical aspects of skilled occupations. Funding provides oversight for a national system of skilled and technical occupational training, which promotes apprentices, registers apprenticeship programs, certifies apprenticeship standards, and safeguards the welfare of apprentices. ETA's FY 2015 investment in apprenticeship programs was $34 million.

Program Costs and Outputs

The cost of ETA and OJC investments in human capital and the participants served are shown in the chart below, for the five year period FY 2011 through FY 2015.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

ETA and OJC Investments in Human Capital
Program Costs (in Millions) and Participants Served [1] (in Thousands)
For The Five Year Period FY 2011 through FY 2015

	2015		2014		2013		2012		2011	
Program	Costs	*Part. Served*	Costs	*Part. Served*	Costs	*Part. Served*	Costs	*Part. Served*	Costs	*Part. Served*
WIA [2]										
Adult	$852	*6,520.8*	$846	*6,105.3*	$883	*6,761.5*	$861	*6,979.1*	$960	*7,025.2*
Dislocated Worker [3]	1,165	*655.3*	1,189	*853.8*	1,329	*1,340.4*	1,524	*1,358.4*	2,039	*1,570.6*
Youth	878	*200.3*	905	*204.1*	942	*224.0*	944	*239.6*	1,124	*245*
Job Corps	1,605	*109.5*	1,537	*109.6*	1,525	*79.6*	1,770	*97.5*	1,717	*99.4*
Ex-Offenders	69	*11.2*	85	*11.8*	96	*22.2*	76	*49.1*	67	*39*
National Programs [4]	140	*49.2*	149	*52.2*	170	*60.0*	180	*38.7*	150	*38.9*
CSEOA										
SCSEP	436	*67.4*	428	*67.7*	445	*66.9*	492	*76.9*	707	*105.9*
TAA for Workers	232	*51.1*	277	*67.9*	257	*105.1*	431	*144.7*	506	*193.1*
TAACCCT [5]	413	*140.9*	416	*66.5*	266	*18.1*				
Apprenticeship	34	*430.4*	32	*392.1*	28	*366.0*	29	*410.0*	32	*432.2*
Other [6]	130	*87.3*	113	*28.8*	212	*109.3*	95	*357.7*	135	*104.9*
TOTAL	$5,954	*8,323.4*	$5,977	*7,959.8*	$6,153	*9,153.1*	$6,402	*9,751.7*	$7,437	*9,854.2*

(1) Participant numbers are from grantee reports submitted for the Program Year (PY) ending on June 30 of the corresponding fiscal year.
(2) WIA participant numbers are based on PY 2014 Quarter 4 reporting as the annual reports were not available as of the date of this report.
(3) Dislocated Worker programs include Community Based Job Training Grants and National Emergency Grants.
(4) National Programs include the Native American and Migrant and Seasonal Farmworker programs.
(5) TAACCCT participants served data is reported on a fiscal year basis which causes a one year lag in annual reporting. All TAACCCT participant counts are finalized January of the current fiscal year for the prior year ended.
(6) Other includes training programs for highly skilled occupations funded through H1-B fees, green jobs initiatives and costs for lapsed programs. (High Growth and Emerging industry grants were reclassified from Dislocated Workers to Other in FY 2013)

Program Outcomes

Outcomes for training programs comprising ETA's investment in human capital are presented in the Department's Annual Performance Report for FY 2015, available on the DOL website at www.dol.gov/_sec/media/reports/ in February 2016.

Veterans' Employment and Training Service

The Veterans' Employment and Training Service (VETS) administers programs that address the employment, training, and job security needs of Americans who have served in uniform. VETS prepares America's veterans, service members and their spouses for meaningful careers, provides them with employment resources and expertise, protects their employment rights, and promotes their employment opportunities.

Program Activities

Jobs for Veterans State Grants (JVSG)

The Jobs for Veterans Act (JVA) of 2002, which allocates resources to the states through the JVSG program (38 U.S.C. 4102A(b)(5)), supports the majority of VETS activities by funding two positions in the public workforce system:

- **Disabled Veterans' Outreach Program (DVOP) Specialists** – The DVOP specialists (as required by 38 U.S.C. 4103A), provide intensive services to meet the employment needs of veterans, including counseling, assessment, lifelong learning skills and referral to training, particularly to veterans with disabilities or those with barriers to employment.
- **Local Veterans' Employment Representatives (LVER) Staff** – The LVER staff (as required by 38 U.S.C. 4104) conducts employer outreach on behalf of veterans, allowing states to develop marketing strategies and outreach activities that promote the hiring of veterans. The staff also educate partners within the American Job Center on current employment initiatives and programs for veterans.

Transition Assistance Program (TAP)

TAP (established by 10 U.S.C. 1144) operates as a partnership between the Departments of Labor, Defense, Homeland Security, Veterans Affairs, Education and the Small Business Administration. The program provides separating service members and their spouses or individuals retiring from military service with career counseling and training. TAP workshops are provided throughout the United States and overseas.

Homeless Veterans and Veterans' Workforce Investment Programs

- **Homeless Veterans' Reintegration Program (HVRP)** – The HVRP, codified at 38 U.S.C. 2021, provides employment assistance to homeless veterans through competitive grants to States or other entities in both urban and rural areas to operate employment programs to reach out to homeless veterans and help them become employed.
- **Veterans' Workforce Investment Program (VWIP)** – The VWIP, (29 U.S.C. 2913), provides competitive grants for training and retraining of veterans to create highly skilled employment opportunities for targeted veterans.

Federal Management (VETS)

Federal management activities provide programs and policies to meet the employment and training needs of veterans. Resources are devoted to Uniformed Services Employment and Reemployment Rights Act (USERRA) of 1994, codified at 38 U.S.C. Chapter 43, and Veterans' Preference Rights (5 U.S.C. 2108, 3309) compliance and outreach. Activities, as discussed below:

- **Uniformed Services Employment and Reemployment Rights Act and Veterans' Preference Rights** – USERRA protects civilian job rights and benefits for veterans, members of the National Guard and Reserves. Veterans' Preference for Federal Employment is codified in 5 U.S.C. 2108 and 3309. VETS promotes a productive relationship between employer and employee by educating both on the employment rights of the individual veterans.

Program Costs and Outputs

The full cost of VETS programs is presented in the Consolidated Statement of Net Cost. The costs of VETS investments in human capital, and the participants served by this investment, are presented below, by major program.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

VETS Investments in Human Capital
Program Costs and Participants Served (in Thousands)
For the Fiscal Years Ended FY 2011 through FY 2015.

	2015		2014		2013		2012		2011	
Program	Cost	Part. Served	Cost	Part. Served	Cost	Part. Served	Cost[(2)]	Part. Served	Cost	Part. Served
JVSG[(1)]	173,453	185.6	170,764	332.1	162,999	450.6	210,671	508.8	171,497	631.6
TAP[(3)]	13,917	177.7	14,103	207.0	13,176	187.0	13,093	153.0	7,089	143.1
USERRA[(5)]	12,782	7.6	12,487[(6)]	10.9	11,381	47.5	12,361	74.7	9,874	79.9
HVRP	38,146	17.0	36,885	16.1	40,691	17.4	35,562	19.8	28,385	17.0
VWIP[(4)]	1,564	1.7	1,894	2.1	2,157	1.9	9,855	4.3	7,863	3.9
TOTAL	**$239,862**	***389.6***	**$236,133**	***568.2***	**$230,404**	***704.4***	**$281,542**	***760.6***	**$224,708**	***875.5***

(1) This category was previously broken into its constituent components of DVOPs and LVERs. However, to ensure consistency of each funding mechanism representing a single row, DVOPs and LVERs have been consolidated into a single row entitled JVSG - Jobs for Veterans State Grants.
(2) FY12 and prior cost allocated based on historical program cost.
(3) Department of Defense participant estimates, which are not finalized until the end of the first quarter of the following fiscal year.
(4) Public Law 113-6, Consolidated and Further Continuing Appropriations Act, 2013, did not provide funding for the Veterans' Workforce Investment Program.
(5) USERRA Participants (USERRA Outreach Measure) reflects the number of people VETS connects with each year (service members, spouses, and employers) to inform them of their rights and responsibilities under the law.
(6) This reflects a correction to the previous year's cost, which was inaccurately reported. The previously reported FY 2014 amount for USERRA of $37,997 included all costs for the Agency's federal administration appropriation. However, previous submissions and the FY 2015 submission record USERRA costs as 30% of federal administration.

Program Outcomes

Outcomes for the programs comprising VETS' investment in human capital are presented in the Department's Annual Performance Report for FY 2015, available in February 2016 on the DOL website at: www.dol.gov/_sec/media/reports/.

Required Supplementary Information

(Unaudited)

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

DEFERRED MAINTENANCE AND REPAIRS

DOL reports as general purpose property, plant and equipment (PP&E), *Structures, facilities and improvements* on which maintenance and repair activities may be deferred. Over 99.3% of these buildings and other structures (based on net book value) are owned by DOL's ETA-OJC, and located at one hundred twenty-five (125) Job Corps centers throughout the United States. The remaining 0.7% is owned by the Department's MSHA. Periodic maintenance is performed to keep these properties in acceptable condition, as determined by DOL management. It is DOL policy to evaluate PP&E regardless of recorded values and the asset management system does not make any distinction between capitalized and non-capitalized PP&E when it comes to maintenance and repairs. Therefore, DM&R estimates reported relate to PP&E, whether capitalized or not or fully depreciated. Management has not noted any structures, facilities and improvements which is not included in the DM&R estimates reported below.

Defining and Implementing Maintenance and Repairs (M&R) Policies in Practice

Condition assessment surveys are conducted every three years at each property to determine the current condition of buildings and structures (constructed assets) and the estimated maintenance cost to correct deficiencies. The method of assessment used has not changed from previous years. Surveys conducted during years one and two of the three year cycle are updated to reflect maintenance and repairs performed, and rolled up with current assessments to provide a condition assessment for the entire DOL portfolio of constructed assets. Condition assessment surveys are based on methods and standards consistently applied, including descriptions of the facility condition; standardized condition codes, classifications and categories; estimated costs of maintenance and repair actions and recommended maintenance schedules. As a part of these condition assessment surveys, deficiencies are identified in terms of architectural, mechanical, electrical, structural, and civil areas. Each deficiency is assigned a Facilities Condition Index (FCI) score(1) based on classification and categorization.

Ranking and Prioritizing M&R Activities

Life Safety and Health deficiencies are funded immediately following the condition assessment surveys for correction. The remaining deficiencies are classified, categorized, and assigned an FCI score. In each construction, rehabilitation, and acquisition (CRA) budget, funding is allocated to accomplish the highest priority deficiencies based upon the FCI score. These deficiencies are funded for correction, while any remaining deficiencies become candidates for funding in a future CRA budget.

Factors Considered in Setting Acceptable Condition

Condition assessment surveys are used to estimate the current plant replacement value and DM&R backlog for each constructed asset. Plant replacement value and repair backlog are used to calculate an FCI score for each building and structure. These FCI scores determine the asset condition and contribute to the overall FCI score for each portfolio. Job Corps and MSHA have set the goal of achieving and maintaining an FCI score of 90% or greater for its portfolio of constructed assets (the standard used by the National Association of College and University Business Offices) as a level of acceptable condition for the periods reported. In 2014, the portfolio's aggregate FCI score for 4,231 constructed assets was 93.0%, and DM&R costs to return the portfolio to an acceptable condition were estimated at $198.9 million, as adjusted for SFFAS 42, Deferred Maintenance and Repairs: *Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*. In FY 2015, the portfolio's aggregate FCI score for 4,389 constructed assets was 93.0%, and DM&R costs to return the portfolio to an acceptable condition are estimated at $226.5 million. Factors considered in determining acceptable condition standards include health and life safety aspects as well as certain environmental and building code compliance elements. These deficiencies are prioritized and corrected first as they lead to unacceptable conditions.

(1) FCI = 1 – (Repair Backlog / Plant Replacement Value). In general, an FCI score closer to 100% would indicate a more positive asset condition.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Asset Category	FY 2015 Ending Balance	FY 2015 Beginning Balance
Funded:		
Structures, facilities and improvements		
Active	$87,569	$85,177
Inactive	268	288
Subtotal, funded	87,837	85,465
Unfunded:		
Structures, facilities and improvements		
Active	138,428	112,394
Inactive	211	1,028
Subtotal, unfunded	138,639	113,422
Total	**$ 226,476**	**$ 198,887**

Significant Changes from Prior Year

The presentation of DM&R Costs reflects the reporting requirements effective in FY 2015 in accordance with SFFAS 42*;* funded deficiencies as well as critical and programmatic deficiencies are included in the reported amounts. Due to the change in reporting requirements in accordance with SFFAS 42, the FY 2015 beginning balance was adjusted from $115.6 million reported as of September 30, 2014 in the FY 2014 Agency Financial Report to $198.9 million to include $5.0 million in critical and programmatic deficiencies and $78.3 million in funded deficiencies.

For reporting purposes, DOL has determined that changes of 10% and $25 million between fiscal year beginning and ending balances are significant. The significant increase of $26.0 million in unfunded deficiencies for active structures, facilities and improvements as of September 30, 2015 is a net result of new deficiencies identified during the annual facility survey process as well as prior deficiencies which may have had cost estimates updated for the current fiscal year. These deficiencies are currently undergoing review in order to make the appropriate funding determinations.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

SOCIAL INSURANCE PROGRAMS

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.

DOL operates two programs classified under Federal accounting standards as social insurance programs, the UI Program and the Black Lung Disability Benefits Program. Presented below is the supplementary information for the two programs.

Unemployment Insurance Program

The UI Program was created in 1935 to provide income assistance to unemployed workers who lose their jobs generally through no fault of their own, and are unemployed due to a lack of suitable work. The program protects workers during temporary periods of unemployment through the provision of UC 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 worker'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 DOL, 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 UTF and Federal appropriations. 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 fund an account within the UTF, to make advances to state UI accounts that are unable to make benefit payments because the state UI account balance has been exhausted. State UI taxes are used exclusively for the payment of regular UI benefits, as well as the state's share of EB.

Federal Unemployment Taxes

Under the provisions of the FUTA, a Federal tax is levied on covered employers, at a current rate of 6.0% 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 0.6%; employers in states with advances from the fund may pay a higher effective Federal tax rate because the Federal tax rate credit of 5.4% may be decreased in increments of 0.3% if a state has had an outstanding advance for more than two years. Additional Federal unemployment taxes collected as a result of the reduced Federal tax rate credit are used to pay down the state's outstanding advance balance. Federal unemployment taxes are collected by the Internal Revenue Service.

State Unemployment Taxes

In addition to the Federal tax, individual states finance their UI programs through state tax contributions from subject employers based on the wages of covered employees. (Three states also collect contributions from employees.) Within Federal confines, state tax rates are assigned in accordance with an employer's experience with unemployment. Actual tax rates vary greatly among the states and among individual employers within a state. At a minimum, these rates must be applied to the Federal tax base of $7,000; however, states may adopt a higher wage base than the minimum established by FUTA. State UI agencies are responsible for the collection of state unemployment taxes.

Unemployment Trust Fund

Federal and state UI taxes are deposited into designated accounts within the UTF. 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. Tax receipts collected under the FUTA are appropriated to the ESAA and used to pay the costs of Federal and state administration of the UI program and veterans' ES and 97% of the costs of the state ES; and, amounts collected due to FUTA credit reductions are transferred to the FUA and are used to pay down balances of state advances that have been outstanding for more than two years. 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 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 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 EB program, extended unemployment benefits are paid to individuals who have exhausted their regular unemployment benefits. These EB 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 U.S. Treasury when the EUCA has a balance insufficient to pay the Federal share of EB. 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 EUC benefits. Emergency unemployment benefits require Congressional authorization.

The Federal Employees Compensation (FEC) Account 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 U.S. 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 UI program for railroad employees. This separate UI 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 UI 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 50% during periods of high unemployment. These extended benefit payments are paid equally from Federal and state accounts.

Regular UI Benefits

The UI program is a cooperative Federal and state program with the federal government providing oversight. 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 account within the UTF.

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 50%, up to a combined maximum of 39 weeks; certain states voluntarily extended the benefit duration up to a combined maximum of 46 weeks. Fifty percent of the cost of extended unemployment benefits is paid from the EUCA within the UTF, and 50% by the state, from the state's UTF account. The ARRA of 2009 began temporary 100% Federal funding of EB. Subsequent legislation, most recently P.L. 112-240, the American Taxpayer Relief Act of 2012, authorized continuing 100% Federal funding of extended unemployment benefits to December 31, 2013.

Emergency UI Benefits

During prolonged periods of high unemployment, Congress may authorize the payment of emergency unemployment benefits to supplement extended UI benefit payments. Emergency benefits began in July 2008, authorized under the Supplemental Appropriations Act, 2008 (previously authorized in 1991 and 2002). This emergency program was temporarily extended and additionally funded by the ARRA and has been subsequently modified several times, most recently by P.L. 112-240, the American Taxpayer Relief Act of 2012, which extended the emergency unemployment insurance program to January 1, 2014.

Federal UI Benefits

Unemployment benefits to unemployed Federal civilian personnel and ex-service members are paid from the Federal Employees Compensation Account within the UTF. These benefit costs are reimbursed by the responsible Federal agency and are not considered to be social insurance benefits. Federal UC benefits are not included in this discussion of social insurance programs.

Program Finances and Sustainability

As of September 30, 2015, total assets within the UTF exceeded total liabilities by $32.0 billion. At the present time there is a surplus; any surplus of tax revenues and earnings on these revenues over benefit payment expenses is available to finance benefit payments in future periods when tax revenues may be insufficient. Treasury invests any accumulated surplus in Federal securities. The net value of these securities, including interest receivable, as of September 30, 2015 was $44.6 billion. This interest is distributed to eligible state and Federal accounts within the UTF. Interest income from these investments and income from Title XII advances to states during FY 2015 was $1.2 billion. Federal and state UI tax and reimbursable revenues of $51.0 billion and regular, extended and emergency benefit payment expense of $31.8 billion were recognized for the year ended September 30, 2015.

As discussed in Note 1-K.1 to the consolidated financial statements, DOL recognized a liability for regular, extended and emergency unemployment benefits to the extent of unpaid benefits applicable to the current period and for benefits paid by states that have not been reimbursed by the UTF. Accrued unemployment benefits payable as of September 30, 2015 were $1.1 billion.

During FY 2015, the FUA borrowed from the General Fund of the U.S. Treasury in the form of repayable advances and repaid all its outstanding repayable advances. The EUCA repaid current year and certain prior year (PY) advances. EUCA had an outstanding repayable advances balance of $12.8 billion bearing interest between 2.375% and 3.000% as of September 30, 2015.

Subsequent Events

Management has determined that there are no subsequent events.

Effect of Projected Cash Inflows and Outflows on the Accumulated Net Assets of the UTF, in Constant Dollars

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, interest rates on UTF investments, and the Consumer Price Index-Urban (CPI-U) for goods and services. The use of CPI-U factors allows the projections to be presented in constant dollars with FY 2015 as the base year. The valuation date for the projections is September 30, 2015. Cash projections depend on the assumptions used and actual experience may differ materially from the projections.

Presented on the following pages is the effect of projected economic conditions on the net assets of the UTF, in constant dollars, excluding the Federal Employees Compensation Account. Amount totals for the expected economic conditions analysis and the two sensitivity analyses may differ due to rounding.

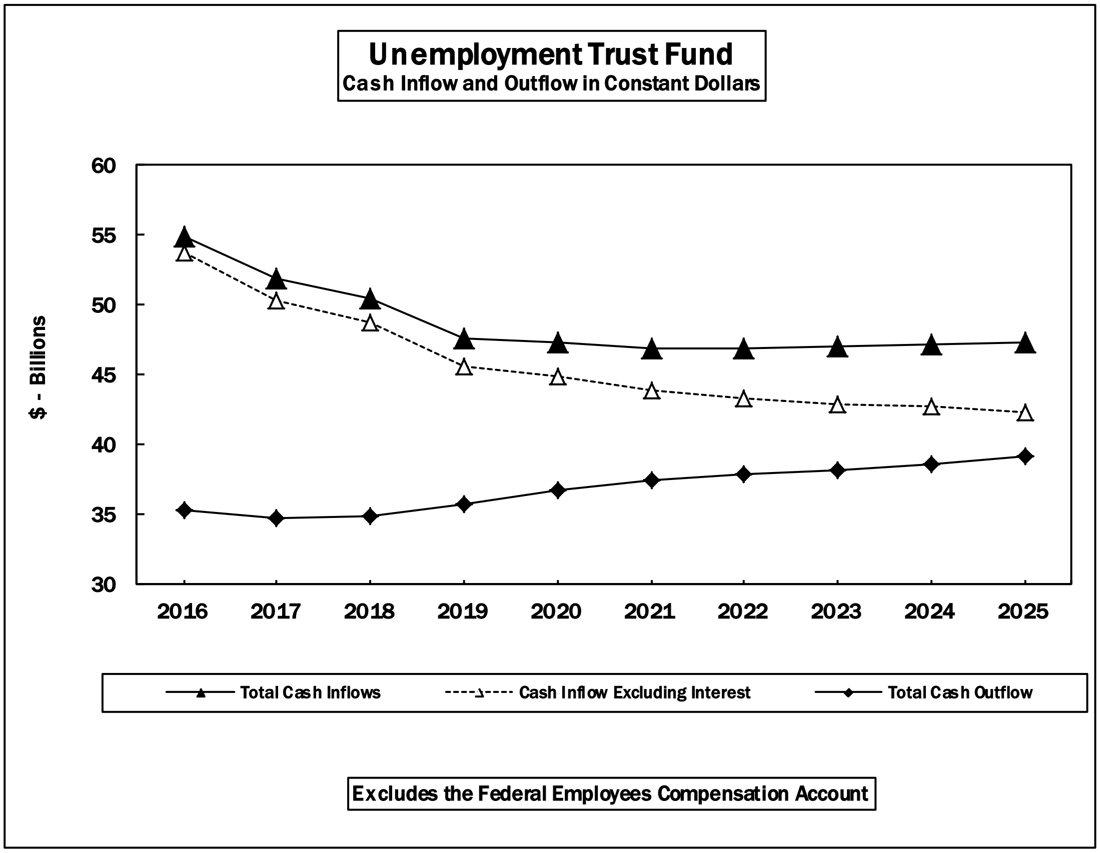
Expected Economic Conditions

Charts I and II graphically depict the effect of expected economic conditions on the UTF, in constant dollars, over the next ten years.

Projected Cash Inflows and Outflows, in Constant Dollars, Under Expected Economic Conditions

Chart I depicts projected cash inflows and outflows of the UTF, in constant dollars, 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 4.95% during FY 2016 and remaining between 4.60% and 4.9%. Total cash inflows exceed total cash outflows in FY 2016 and through the end of the projected period. As presented in table (1) Expected Economic Conditions, the net inflow (excluding interest) decreases from $18.3 billion in FY 2016 to $13.9 billion in FY 2018, and decreases from $9.9 billion to $3.1 billion between FYs 2019 and 2025. The net inflow is sustained primarily by the excess of Federal tax collections over Federal expenditures.

Chart I



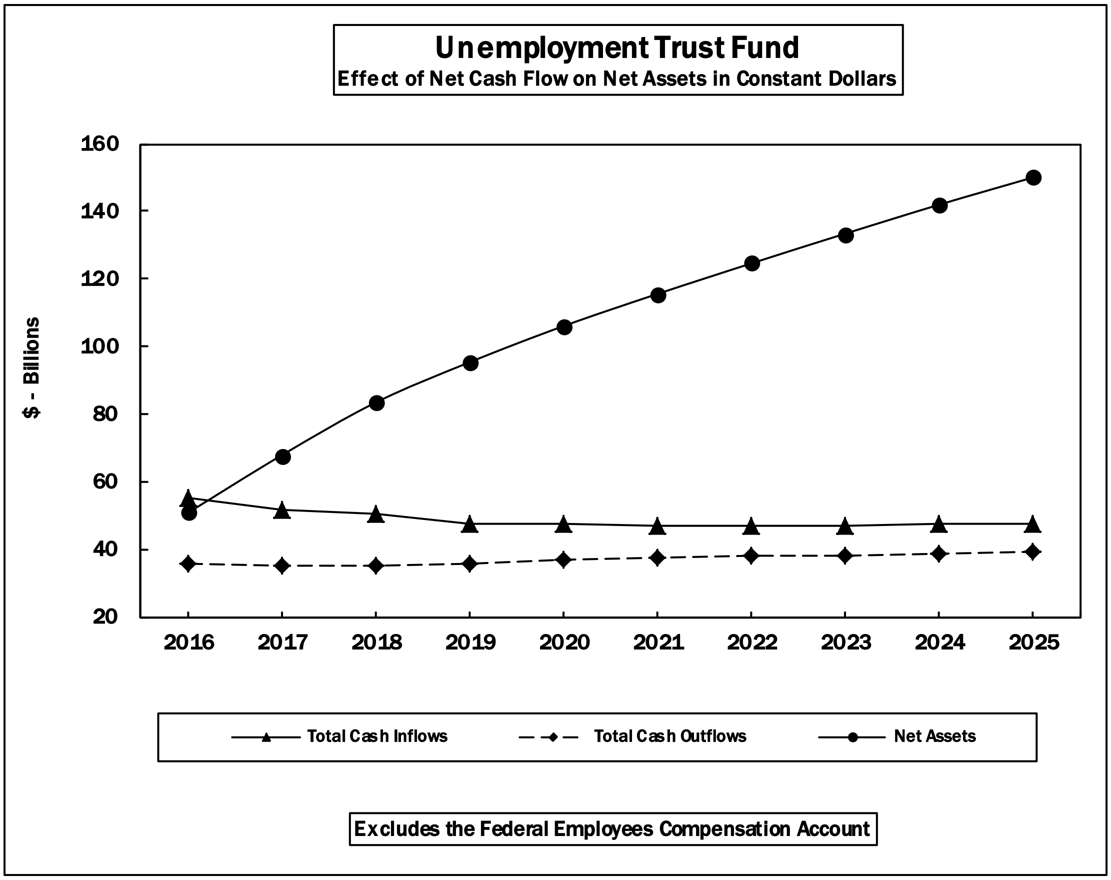
Effect of Expected Cash Flows on UTF Assets in Constant Dollars

Chart II demonstrates the effect of these expected cash inflows and outflows on the net assets of the UTF, in constant dollars, over the ten-year period ending September 30, 2025. Yearly projected total cash inflows, including interest earnings, and cash outflows, including interest payments, are depicted as well as the net effect of this cash flow on UTF assets.

As depicted in Chart II, total cash inflows exceed total cash outflows in FY 2016 and all other years in the projected period. The excess of total cash inflows over total cash outflows is highest in FY 2016. As presented in table (1) Expected Economic Conditions, starting at a nearly $31.2 billion fund balance at the beginning of FY 2016, net UTF assets increase by more than $118.8 billion over the next ten years to a $150.0 billion fund net assets balance by the end of FY 2025. Chart II depicts the increase in the net assets of the fund.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Chart II



Sensitivity Analyses in Constant Dollars

Charts III (Sensitivity Analysis I) and IV (Sensitivity Analysis II) demonstrate the effect on accumulated UTF assets of projected total cash inflows and cash outflows of the UTF, in constant dollars, over the ten-year period ending September 30, 2025, in two sensitivity analyses. Each sensitivity analysis uses an open group, which includes current and future participants in the UI program. Sensitivity Analysis I assumes higher rates of unemployment and Sensitivity Analysis II assumes even higher rates of unemployment compared to the expected economic conditions as shown in Charts I and II. Table I below summarizes the unemployment rates for expected conditions, Sensitivity Analysis I, and Sensitivity Analysis II.

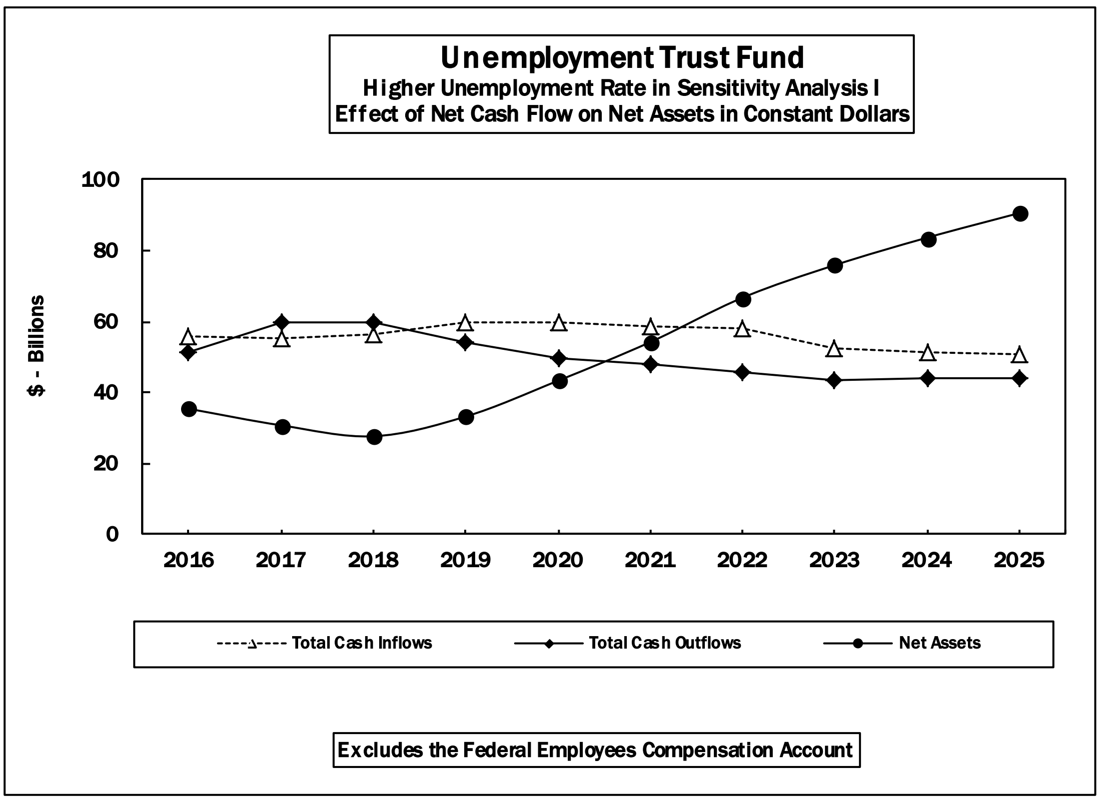
Table I

Total Unemployment Rate for the Ten-Year Period Ending September 30, 2025										
Conditions	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Expected	4.95%	4.68%	4.60%	4.68%	4.82%	4.90%	4.90%	4.90%	4.90%	4.90%
Sensitivity Analysis I	6.30%	7.23%	7.31%	6.54%	5.69%	5.56%	5.20%	4.90%	4.90%	4.90%
Sensitivity Analysis II	6.36%	8.48%	10.28%	8.30%	7.32%	7.11%	6.67%	5.76%	5.20%	4.90%

Effect on UTF Assets, in Constant Dollars, in Sensitivity Analysis I

In this sensitivity analysis, which utilizes a higher unemployment rate of 6.30% beginning in FY 2016, as presented in table (2) Sensitivity Analysis I Higher Unemployment Rate, net cash inflows are negative in FYs 2017 and 2018, but become positive in FY 2019 and continue to be positive through 2025. Chart III depicts the cross-over points where cash outflows exceed cash inflows before 2017 and cash inflows exceed cash outflows before FY 2019. Starting at a $31.2 billion fund balance at the beginning of FY 2016, net UTF assets increase by about $59.4 billion over the next ten years to about a $90.6 billion fund net assets balance by the end of FY 2025. Chart III depicts the increase in net assets.

Chart III

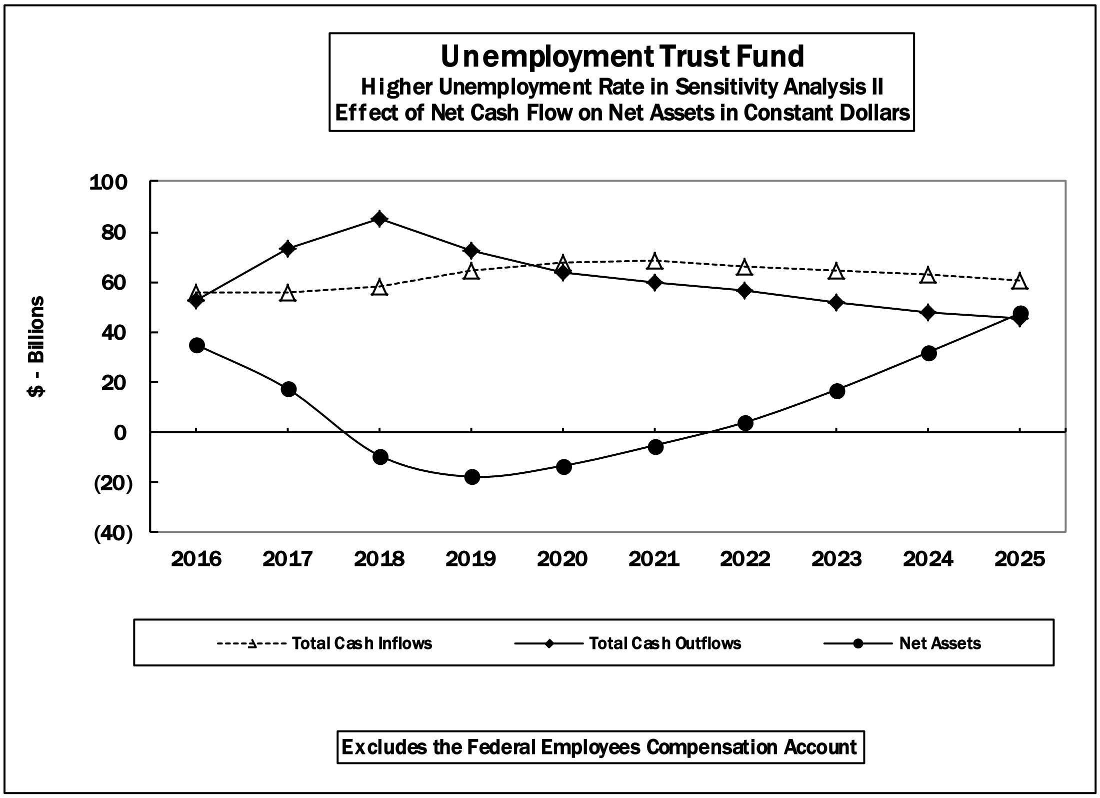


Effect on UTF Assets, in Constant Dollars, in Sensitivity Analysis II

In this sensitivity analysis, as presented in the table (3) Sensitivity Analysis II Higher Unemployment Rate, net cash inflows including interest earnings and expenses are projected in FY 2016, but outflows exceed inflows in FYs 2017, 2018, and 2019 by $17.7 billion, $26.5 billion, and $8.4 billion, respectively. Net cash inflows are reestablished in FY 2020 and peak in FY 2025 with a drop in the unemployment rate to 7.32% in FY 2020 and then steadily downward for FYs 2021 through 2025. Chart IV depicts the cross-over points where outflows exceed inflows before FY 2017 and inflows exceed outflows before FY 2020. The net assets increase more than $16.2 billion from a $31.2 billion fund balance at the beginning of FY 2016 to a $47.4 billion fund balance in FY 2025. Chart IV depicts the low point in the fund's financial position at a fund deficit of $17.7 billion in FY 2019 and then the increase in net assets around FY 2020. At the end of the projection period of Sensitivity Analysis II, net assets are $102.6 billion less than under expected economic conditions.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Chart IV



The example of expected economic conditions and two sensitivity analyses, in constant dollars, demonstrate the counter cyclical nature of the UI program, which experiences net cash inflows during periods of low unemployment that are depleted by net cash outflows during periods of increased unemployment. During the expected conditions and two sensitivity analyses, state accounts without sufficient reserve balances to absorb negative cash flows are forced to obtain advances from the FUA and to meet benefit payment requirements. Advances to states also deplete the FUA, which borrows from the ESAA and the EUCA until they are depleted. The FUA then requires advances from the General Fund of the U.S. Treasury to provide borrowings to states. (See following discussion of solvency measures for state UI programs.)

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION IN CONSTANT DOLLARS
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN-YEAR PERIOD ENDING SEPTEMBER 30, 2025
(1) EXPECTED ECONOMIC CONDITIONS

(Dollars in millions)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Balance, start of year	$ 31,170	$ 50,735	$ 67,797	$ 83,392	$ 95,310	$ 106,007	$ 115,518	$ 124,555	$ 133,363	$ 141,933
Cash inflow										
State unemployment taxes	45,236	42,674	40,887	39,991	39,312	38,433	37,901	37,545	37,337	37,012
Federal unemployment taxes	8,263	7,537	7,828	5,473	5,429	5,385	5,343	5,306	5,270	5,176
General revenue appropriation	-	-	-	-	-	-	-	-	-	-
Interest on loans	114	39	4	1	1	1	1	1	1	1
Deposits by the Railroad Retirement Board	105	115	95	88	111	118	102	91	100	111
Total cash inflow excluding interest	53,718	50,365	48,814	45,553	44,853	43,937	43,347	42,943	42,708	42,300
Interest on Federal securities	1,216	1,479	1,689	2,068	2,528	3,033	3,563	4,076	4,542	4,969
Total cash inflow	54,934	51,844	50,503	47,621	47,381	46,970	46,910	47,019	47,250	47,269
Cash outflow										
State unemployment benefits	31,047	30,632	30,839	31,654	32,647	33,427	33,839	34,167	34,630	35,134
State administrative costs	3,837	3,776	3,768	3,770	3,769	3,764	3,769	3,778	3,784	3,793
Federal administrative costs	174	173	172	171	170	170	168	169	168	168
Interest on tax refunds	1	1	1	1	1	1	1	1	1	1
Interest on advances	226	106	28	9	-	-	-	-	-	-
Railroad Retirement Board withdrawals	84	94	100	98	97	97	96	96	97	96
Total cash outflow	35,369	34,782	34,908	35,703	36,684	37,459	37,873	38,211	38,680	39,192
Excess of total cash inflow excluding interest over total cash outflow	18,349	15,583	13,906	9,850	8,169	6,478	5,474	4,732	4,028	3,108
Excess of total cash inflow over total cash outflow	19,565	17,062	15,595	11,918	10,697	9,511	9,037	8,808	8,570	8,077
Balance, end of year	$ 50,735	$ 67,797	$ 83,392	$ 95,310	$ 106,007	$ 115,518	$ 124,555	$ 133,363	$ 141,933	$ 150,010
Total unemployment rate	4.95%	4.68%	4.60%	4.68%	4.82%	4.90%	4.90%	4.90%	4.90%	4.90%

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION IN CONSTANT DOLLARS
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN-YEAR PERIOD ENDING SEPTEMBER 30, 2025
(2) SENSITIVITY ANALYSIS I HIGHER UNEMPLOYMENT RATE

(Dollars in millions)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Balance, start of year	$ 31,170	$ 35,394	$ 30,742	$ 27,663	$ 33,222	$ 43,316	$ 54,203	$ 66,724	$ 75,915	$ 83,657
Cash inflow										
State unemployment taxes	46,290	46,185	47,536	49,339	49,756	48,114	46,614	44,629	43,148	42,235
Federal unemployment taxes	8,144	7,595	7,792	8,826	8,283	8,810	9,242	5,440	5,475	5,451
General revenue appropriation	5	31	47	34	-	-	-	-	-	-
Interest on loans	144	162	212	237	221	166	127	98	78	57
Deposits by the Railroad Retirement Board	120	130	110	104	126	133	118	106	115	126
Total cash inflow excluding interest	54,703	54,103	55,697	58,540	58,386	57,223	56,101	50,273	48,816	47,869
Interest on Federal securities	1,005	942	916	1,021	1,269	1,662	2,036	2,383	2,711	3,048
Total cash inflow	55,708	55,045	56,613	59,561	59,655	58,885	58,137	52,656	51,527	50,917
Cash outflow										
State unemployment benefits	46,881	55,000	54,950	49,331	45,033	43,616	41,358	39,297	39,645	39,844
State administrative costs	4,079	4,191	4,207	4,117	3,991	3,940	3,901	3,871	3,869	3,871
Federal administrative costs	174	173	172	171	170	170	168	169	168	168
Interest on tax refunds	1	1	1	1	1	1	1	1	1	1
Interest on advances	266	241	265	287	272	177	95	34	8	-
Railroad Retirement Board withdrawals	83	91	97	95	94	94	93	93	94	93
Total cash outflow	51,484	59,697	59,692	54,002	49,561	47,998	45,616	43,465	43,785	43,977
Excess (deficiency) of total cash inflow excluding interest over (under) total cash outflow	3,219	(5,594)	(3,995)	4,538	8,825	9,225	10,485	6,808	5,031	3,892
Excess (deficiency) of total cash inflow over (under) total cash outflow	4,224	(4,652)	(3,079)	5,559	10,094	10,887	12,521	9,191	7,742	6,940
Balance, end of year	$ 35,394	$ 30,742	$ 27,663	$ 33,222	$ 43,316	$ 54,203	$ 66,724	$ 75,915	$ 83,657	$ 90,597
Total unemployment rate	6.30%	7.23%	7.31%	6.54%	5.69%	5.56%	5.20%	4.90%	4.90%	4.90%

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION IN CONSTANT DOLLARS
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN-YEAR PERIOD ENDING SEPTEMBER 30, 2025
(3) SENSITIVITY ANALYSIS II HIGHER UNEMPLOYMENT RATE

(Dollars in millions)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Balance, start of year	$ 31,170	$ 34,919	$ 17,207	$ (9,319)	$ (17,744)	$ (13,412)	$ (5,286)	$ 4,022	$ 17,042	$ 31,940
Cash inflow										
State unemployment taxes	46,426	46,913	49,550	53,951	56,153	55,096	52,821	50,593	48,136	46,252
Federal unemployment taxes	8,135	7,513	7,654	8,788	9,826	11,048	10,550	11,112	11,380	11,078
General revenue appropriation	5	27	25	2	-	-	-	-	-	-
Interest on loans	145	217	463	731	852	887	915	881	752	545
Deposits by the Railroad Retirement Board	105	115	95	88	111	118	102	91	100	111
Total cash inflow excluding interest	54,816	54,785	57,787	63,560	66,942	67,149	64,388	62,677	60,368	57,986
Interest on Federal securities	1,126	999	737	692	845	1,111	1,445	1,836	2,270	2,703
Total cash inflow	55,942	55,784	58,524	64,252	67,787	68,260	65,833	64,513	62,638	60,689
Cash outflow										
State unemployment benefits	47,579	68,543	79,647	67,117	57,884	54,595	51,044	46,151	42,631	40,388
State administrative costs	4,089	4,386	4,554	4,365	4,208	4,120	4,056	3,984	3,924	3,887
Federal administrative costs	174	173	172	171	170	170	168	169	168	168
Interest on tax refunds	1	1	1	1	1	1	2	2	2	2
Interest on advances	266	299	576	925	1,095	1,151	1,159	1,091	918	663
Railroad Retirement Board withdrawals	84	94	100	98	97	97	96	96	97	96
Total cash outflow	52,193	73,496	85,050	72,677	63,455	60,134	56,525	51,493	47,740	45,204
Excess (deficiency) of total cash inflow excluding interest over (under) total cash outflow	2,623	(18,711)	(27,263)	(9,117)	3,487	7,015	7,863	11,184	12,628	12,782
Excess (deficiency) of total cash inflow over (under) total cash outflow	3,749	(17,712)	(26,526)	(8,425)	4,332	8,126	9,308	13,020	14,898	15,485
Balance, end of year	$ 34,919	$ 17,207	$ (9,319)	$ (17,744)	$ (13,412)	$ (5,286)	$ 4,022	$ 17,042	$ 31,940	$ 47,425
Total unemployment rate	6.36%	8.48%	10.28%	8.30%	7.32%	7.11%	6.67%	5.76%	5.20%	4.90%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

*States with Minimally Solvent UTF Account Balances

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 1.00 or greater indicates that the state UTF account balance 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 FUA to make benefit payments. During FY 2009, the balances in the FUA were depleted and the FUA borrowed from the General Fund of the U.S. Treasury and continued to do so through FY 2015, although in FY 2015 the FUA repaid all its outstanding borrowings.

Chart V presents the state by state results of this analysis at September 30, 2015 in descending order by ratio. As the chart below illustrates, 33 state UTF accounts were below the minimal solvency ratio of 1.00 at September 30, 2015. Some states borrow from the FUA and then issue bonds to repay their FUA borrowings; the ratios do not reflect a state's debt to bondholders.

Chart V

Minimally Solvent	
State	Ratio
Wyoming	2.33
Oklahoma	2.06
Mississippi	1.80
Utah	1.76
Nebraska	1.73
Oregon	1.73
South Dakota	1.50
Alaska	1.47
Montana	1.47
Idaho	1.33
Louisiana	1.31
Washington	1.30
Iowa	1.27
Vermont	1.22
Hawaii	1.18
New Hampshire	1.13
Maine	1.07
Minnesota	1.05
Puerto Rico	1.01
District of Columbia	1.00

Not Minimally Solvent			
State	Ratio	State	Ratio
Florida	0.88	South Carolina	0.35
Tennessee	0.87	Missouri	0.34
Maryland	0.80	Delaware	0.33
North Dakota	0.78	West Virginia	0.33
Alabama	0.77	New Jersey	0.32
Kansas	0.76	Massachusetts	0.30
Michigan	0.76	Pennsylvania	0.25
Virginia	0.70	Rhode Island	0.22
Arkansas	0.68	Arizona	0.13
New Mexico	0.62	New York	0.06
Colorado	0.61	Connecticut	0.04
Georgia	0.57	Kentucky	0.03
Nevada	0.43	Ohio	0.00
Illinois	0.42	Indiana	0.00
North Carolina	0.42	California	0.00
Wisconsin	0.40	Virgin Islands	0.00
Texas	0.38		

*Includes District of Columbia, Puerto Rico, and Virgin Islands.

Black Lung Disability Benefit Program

The Black Lung Disability Benefit Program provides for compensation, medical, and survivor benefits for eligible coal miners who are totally disabled due to pneumoconiosis (black lung disease) arising out of their coal mine employment and the BLDTF provides benefit payments when no responsible mine operator can be assigned the liability. Other information about the BLDTF and social insurance reporting is also presented in Note 1-W of the financial statements.

Program Administration and Funding

The Federal Coal Mine Health and Safety Act sets Black Lung benefits at 37.5% of the base salary of a Federal employee at level GS-2, Step 1. Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the domestic sale of coal, as are the program'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.

P.L. 110-343, Division B-Energy Improvement and Extension Act of 2008, enacted on October 3, 2008, in section 113, (1) allowed for the temporary increase in coal excise tax rates to continue an additional five years beyond the statutory limit and (2) restructured the BLDTF debt by refinancing the outstanding repayable advances (which had higher interest rates) with discounted debt instruments similar in form to zero-coupon bonds (which had lower interest rates), plus a one-time appropriation. This Act also allowed that any subsequent debt issued by the BLDTF may be used to make benefit payments, other authorized expenditures, or to repay debt and interest from the initial refinancing. All debt issued by the BLDTF was effected as borrowing from the Treasury's Bureau of the Fiscal Service. (See Notes 1-J and 8)

Program Finances and Sustainability

At September 30, 2015, total liabilities of the BLDTF exceeded assets by $5.6 billion This net position represents the accumulated shortfall of excise taxes necessary to meet benefit payments, administrative costs, and interest expense incurred prior to and subsequent to the debt refinancing pursuant to P.L. 110-343. Prior to enactment of P.L. 110-343, this shortfall was funded by repayable advances to the BLDTF, which were repayable with interest. Pursuant to P.L. 110-343, any shortfall will be financed with debt instruments similar in form to zero-coupon bonds, with a maturity date of one year and bear interest at the Treasury 1-year rate. Outstanding debt at September 30, 2015 was $5.7 billion, bearing interest rates ranging from 0.330% to 4.556%. Excise tax revenues of $552.4 million, benefit payment expense of $162.3 million, and interest expense of $216.0 million were recognized for the year ended September 30, 2015. The interest expense is accrued and capitalized to the principal of the debt until the debt reaches its face value at the time of maturity. On September 30, 2015, the BLDTF issued debt in the amount of $585.0 million, bearing interest at 0.330% and maturing on September 30, 2016. At September 30, 2015, there were 26 debt instruments with staggered maturities of September 30 for years 2016 through 2040, with a total carrying value of nearly $5.7 billion and a total face value at maturity of nearly $9.1 billion. Of these 26 debt instruments, 25 are from the October 2008 refinancing and one debt instrument was issued on September 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Projected Cash Inflows and Outflows, in Constant Dollars

The beneficiary population is a nearly closed universe in which attrition by death exceeds new entrants by a ratio of more than ten to one. Projections for new participants are included in the overall projections and are considered immaterial. Therefore, the difference between the open group measure and the closed group measure due to new participants is immaterial and the same measure is presented for both the open group and the closed group.

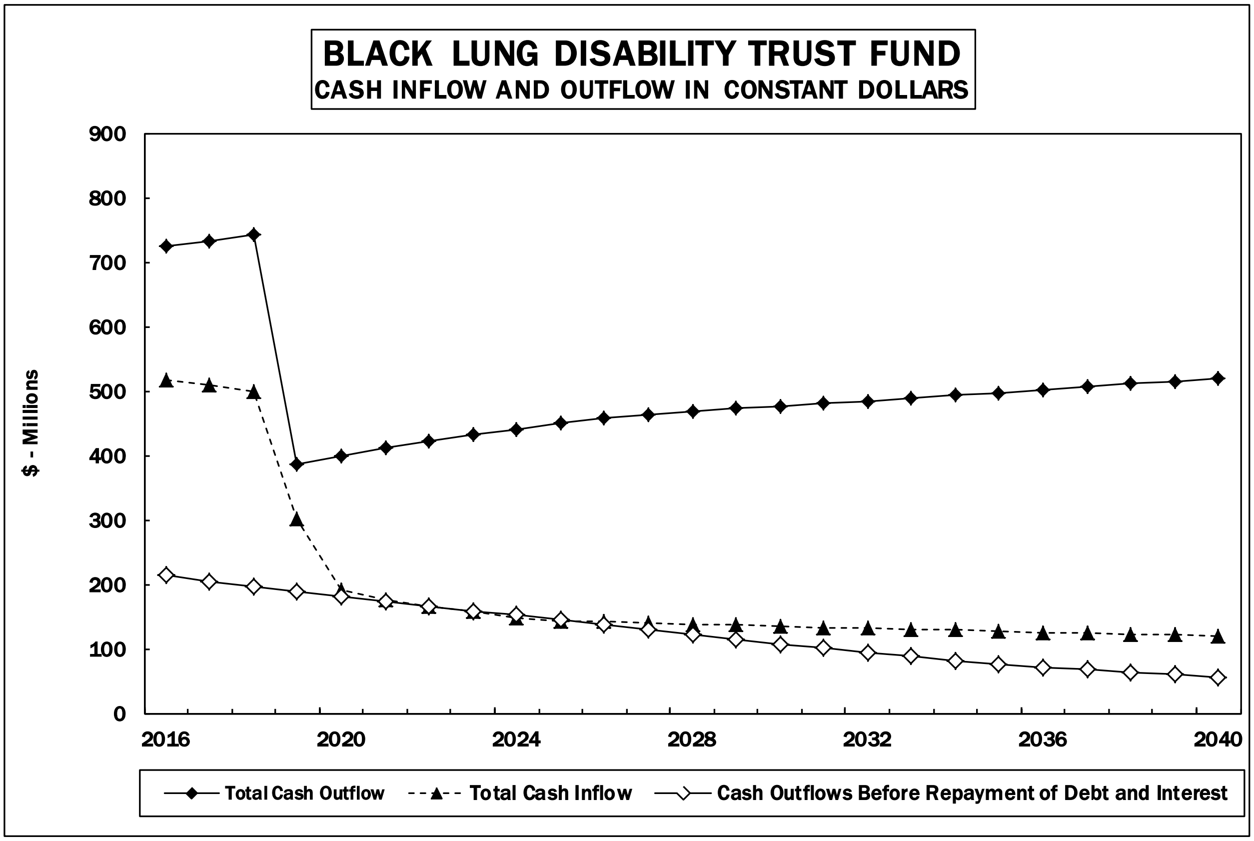
The significant assumptions used in the projections, in constant dollars, are coal excise tax revenue estimates, the tax rate structure, the number of beneficiaries, life expectancy, Federal civilian pay raises, medical cost inflation, the interest rate on new debt issued by the BLDTF, and the CPI-U for goods and services. The use of CPI-U factors allows the projections to be presented in constant dollars with FY 2015 as the base year. The valuation date for the projections is September 30, 2015. Cash projections depend on the assumptions used and actual experience may differ materially from the projections.

In FY 2015, the coal excise tax revenue estimates reflect, among other things, regulation pursuant to the Clean Power Plan, and future cash inflows from excise taxes have decreased significantly from those reported in prior years. The effects of the significant decrease in cash inflows from excise taxes are also reflected in the Statement of Social Insurance as of September 30, 2015 and are the largest change reported in the Statement of Changes in Social Insurance Amounts for the year ended September 30, 2015.

These projections, in constant dollars, made over the 25-year period ending September 30, 2040, indicate that cash inflows from excise taxes will exceed cash outflows for benefit payments and administrative expenses for most of the years in the projection period. Cumulative net cash inflows are projected to reach $1.6 billion by FY 2040. However, when payments from the BLDTF's maturing debt are applied against this surplus cash inflow, the BLDTF's cash flow turns negative in all periods included in the projections. Net cash outflows after payments on maturing debt are projected to reach $7.7 billion by the end of FY 2040, resulting in a projected deficit of $10.25 billion at September 30, 2040. Amount totals in tables may differ slightly due to rounding (See Chart I and Table I).

The net present value of future projected benefit payments and other cash inflow and outflow activities together with the fund's deficit positions as of September 30, 2015, 2014, 2013, 2012, and 2011 are presented in the SOSI.

Chart I



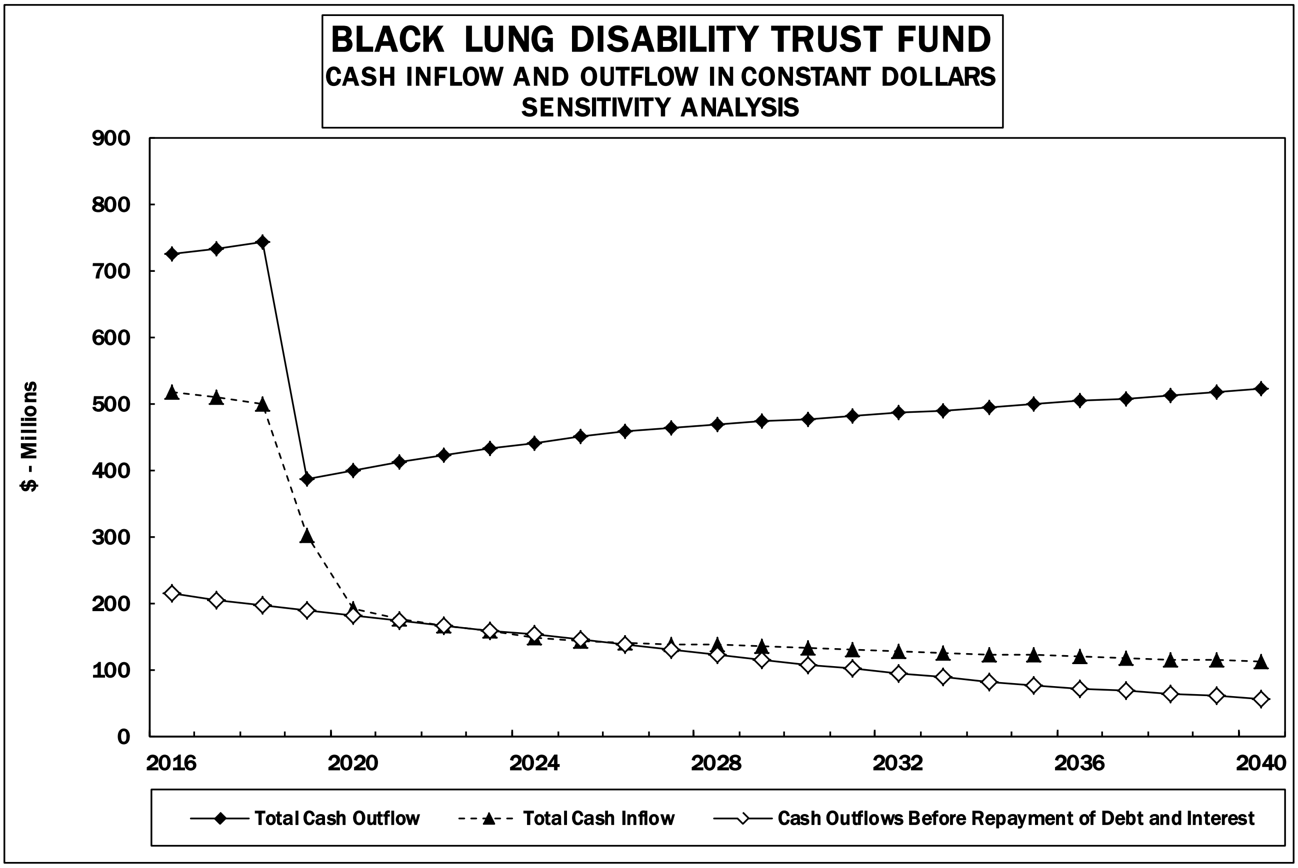
Projected Cash Inflows and Outflows with Sensitivity Analysis, in Constant Dollars

For the projected cash inflows and outflows with sensitivity analysis, in constant dollars, the significant assumption for cash inflows from estimated taxes was changed to reflect a lower growth rate in FYs 2026 through 2040 of 0.61% instead of a growth rate of 1.09%; however, for FYs 2016 through 2025, the growth rate was left unchanged. Both growth rates are based on the U.S. Department of Energy, Energy Information Administration, estimates of future growth in coal production that reflect, among other things, regulation pursuant to the Clean Power Plan. The higher growth rate of 1.09% in FYs 2026 through 2040 reflects regulation pursuant to the Clean Power Plan and the average growth in future coal production after decreases in production during FYs 2016 through 2025. The lower growth rate of 0.61% reflects a midpoint between the 1.09% average growth rate and a 0.12% average growth rate in FYs 2026 through 2040 had the regulation been absent. For the sensitivity analysis, the other significant assumptions (tax rate structure, number of beneficiaries, life expectancy, Federal civilian pay raises, medical cost inflation, interest rate on new debt issued by the BLDTF, and CPI-U for goods and services) were left unchanged. Cash projections depend on the assumptions used and actual experience may differ materially from the projections.

These projections with sensitivity analysis, in constant dollars, made over the 25-year period ending September 30, 2040, indicate that cash inflows from excise taxes would exceed cash outflows for benefit payments and administrative expenses for most of the years in the projection period. Cumulative net cash inflows would be projected to reach $1.5 billion by the year 2040. However, when payments from the BLDTF's maturing debt are applied against this surplus cash inflow, the BLDTF's cash flow would turn negative in all periods included in the projections. Net cash outflows after payments on maturing debt would be projected to reach $7.8 billion by the end of the year 2040, and would result in a projected deficit of $10.3 billion at September 30, 2040 (See Chart II and Table II). Amount totals in tables may differ slightly due to rounding.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Chart II



Open and Closed Group Measure with Sensitivity Analysis

For the open and closed group measure with sensitivity analysis, we modified the significant assumptions as described above (see Projected Cash Inflows and Outflows with Sensitivity Analysis, in Constant Dollars) for the growth rate for cash inflows from estimated taxes in FYs 2026 through 2040, but the other significant assumptions were left unchanged.

For the Sensitivity Analysis, the changes that we made in the assumptions as described above (see projected Cash Inflows and Outflows with Sensitivity Analysis, in Constant Dollars) did not result in different average durations or in different interest rates used to discount the income payments, medical payments, and administrative expenses as compared to the average durations and interest rates used in the SOSI. For the coal excise tax collections, the average duration decreased from 10.6 years to 10.4 years, but did not result in a change in the interest rate used for discounting in the SOSI.

As a result of changing the significant assumption for the growth rate for cash inflows from estimated taxes in FYs 2026 through 2040 as described above (see projected Cash Inflows and Outflows with Sensitivity Analysis, in Constant Dollars), at September 30, 2015 (in thousands of dollars):

In the SOSI,
(a) the actuarial present value of future benefit payments during the projection period to disabled coal miners and dependent survivors would remain unchanged;
(b) the present value of estimated future administrative costs during the projection period would remain unchanged;

(c) the actuarial present value of future benefit payments and present value of estimated future administrative costs during the projection period for current and future participants would remain unchanged;
(d) the present value of estimated future excise tax income during the projection period would decrease ($70,674) from $4,738,572 to $4,667,898;
(e) the excess of present value of estimated future excise tax income over actuarial present value of future benefit payments and present value of estimated future administrative costs during the projection period for current and future participants (open and closed group measure) would decrease ($70,674) from $1,596,713 to $1,526,039; and
(f) the trust fund net position deficit at the start of the projection period would remain unchanged.

In the SOSI Summary Section,
(g) the open and close group measure would decrease as described in (e) above;
(h) the Funds with U.S. Treasury and receivables from benefit overpayments at the start of the projection period would remain unchanged; and
(i) the Total of open and closed group measure plus fund assets would decrease ($70,674) from $1,651,572 to $1,580,898.

Cash projections depend on the assumptions used and actual experience may differ materially from the projections.

Table I

U.S. DEPARTMENT OF LABOR

SUPPLEMENTARY SOCIAL INSURANCE INFORMATION

CASH INFLOW AND OUTFLOW OF THE BLACK LUNG DISABILITY TRUST FUND IN CONSTANT DOLLARS

FOR THE 25-YEAR PERIOD ENDING SEPTEMBER 30, 2040

(Dollars in thousands)	2016	2017	2018	2019	2020	2021 - 2040	Total
Balance, start of year	$ (5,644,208)	$ (5,464,158)	$ (5,309,864)	$ (5,186,580)	$ (5,161,377)	$ (5,259,919)	$ (5,644,208)
Cash inflow							
Excise taxes	516,600	508,555	500,850	302,475	192,765	2,756,942	4,778,187
Total cash inflow	516,600	508,555	500,850	302,475	192,765	2,756,942	4,778,187
Cash outflow							
Disabled coal miners benefits	150,144	139,637	130,269	121,834	114,202	1,259,479	1,915,565
Administrative costs	65,147	66,147	66,604	67,060	67,489	921,420	1,253,866
Cash outflows before repayment of debt and interest	215,290	205,784	196,873	188,893	181,691	2,180,900	3,169,431
Cash inflow over cash outflow before repayment of debt and interest	301,310	302,771	303,977	113,582	11,074	576,042	1,608,756
Maturity of obligations refinanced October 2008	509,228	521,605	529,812	167,882	177,083	4,543,541	6,449,151
Interest on annual borrowings	1,905	6,239	15,621	29,282	40,133	2,775,931	2,869,111
Total cash outflow	726,423	733,628	742,306	386,057	398,907	9,500,372	12,487,693
Total cash outflow over total cash inflow	(209,823)	(225,073)	(241,456)	(83,582)	(206,142)	(6,743,430)	(7,709,506)
Reduction of debt refinanced October 2008	389,874	379,367	364,740	108,786	107,600	1,754,620	3,104,986
Balance, end of year	$ (5,464,158)	$ (5,309,864)	$ (5,186,580)	$ (5,161,377)	$ (5,259,919)	$(10,248,728)	$ (10,248,728)

Table II

U.S. DEPARTMENT OF LABOR

SUPPLEMENTARY SOCIAL INSURANCE INFORMATION SENSITIVITY ANALYSIS

CASH INFLOW AND OUTFLOW OF THE BLACK LUNG DISABILITY TRUST FUND IN CONSTANT DOLLARS

FOR THE 25-YEAR PERIOD ENDING SEPTEMBER 30, 2040

(Dollars in thousands)	2016	2017	2018	2019	2020	2021 - 2040	Total
Balance, start of year	$ (5,644,208)	$ (5,464,158)	$ (5,309,864)	$ (5,186,580)	$ (5,161,377)	$ (5,259,918)	$ (5,644,208)
Cash inflow							
Excise taxes	516,600	508,555	500,850	302,475	192,765	2,685,887	4,707,132
Total cash inflow	516,600	508,555	500,850	302,475	192,765	2,685,887	4,707,132
Cash outflow							
Disabled coal miners benefits	150,144	139,637	130,269	121,834	114,202	1,259,479	1,915,565
Administrative costs	65,147	66,147	66,604	67,060	67,489	921,420	1,253,866
Cash outflows before repayment of debt and interest	215,290	205,784	196,873	188,893	181,691	2,180,900	3,169,431
Cash inflow over cash outflow before repayment of debt and interest	301,310	302,771	303,977	113,582	11,074	504,987	1,537,701
Maturity of obligations refinanced October 2008	509,228	521,605	529,812	167,882	177,083	4,543,541	6,449,151
Interest on annual borrowings	1,905	6,239	15,621	29,282	40,133	2,789,043	2,882,223
Total cash outflow	726,423	733,628	742,306	386,057	398,907	9,513,483	12,500,804
Total cash outflow over total cash inflow	(209,823)	(225,073)	(241,456)	(83,582)	(206,142)	(6,827,596)	(7,793,672)
Reduction of debt refinanced October 2008	389,874	379,367	364,740	108,786	107,600	1,754,620	3,104,986
Balance, end of year	$ (5,464,158)	$ (5,309,864)	$ (5,186,580)	$ (5,161,377)	$ (5,259,918)	$(10,332,895)	$ (10,332,895)

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COMBINING STATEMENTS OF BUDGETARY RESOURCES

The principal Combined Statements of Budgetary Resources combine the availability, status, and outlay of DOL's budgetary resources during FY 2015 and FY 2014. Presented on the following pages is the disaggregation of this combined information for each of the Department's major budget agencies. (Dollars in Thousands)

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COMBINING STATEMENTS OF BUDGETARY RESOURCES
For the Year Ended September 30, 2015

	Employment and Training Administration	Office of Workers' Compensation Programs	Office of Job Corps
BUDGETARY RESOURCES			
Unobligated balance brought forward, October 1	$ 1,943,330	$ 1,530,613	$ 937,506
Recoveries of prior year unpaid obligations	446,573	4,843	52,546
Other changes in unobligated balance	(1,327,338)	(3,235)	(11,296)
Unobligated balance from prior year budget authority, net	1,062,565	1,532,221	978,756
Appropriations (discretionary and mandatory)	40,742,419	1,871,811	1,697,065
Spending authority from offsetting collections (discretionary and mandatory)	3,684,774	3,016,760	34,014
Total budgetary resources	$ 45,489,758	$ 6,420,792	$ 2,709,835
STATUS OF BUDGETARY RESOURCES			
Obligations incurred	$ 44,536,146	$ 4,966,004	$ 1,832,515
Unobligated balance, end of year			
Apportioned	464,693	1,376,143	834,410
Exempt from apportionment	-	41,804	-
Unapportioned	488,919	36,841	42,910
Total unobligated balance, end of year	953,612	1,454,788	877,320
Total budgetary resources	$ 45,489,758	$ 6,420,792	$ 2,709,835
CHANGE IN OBLIGATED BALANCE			
Unpaid Obligations:			
Unpaid obligations, brought forward, October 1	$ 11,961,386	$ 268,292	$ 949,782
Obligations incurred	44,536,146	4,966,004	1,832,515
Less: Outlays (gross)	(45,121,908)	(4,952,555)	(1,665,860)
Less: recoveries of prior year unpaid obligations	(446,573)	(4,843)	(52,546)
Unpaid obligations, end of year	10,929,051	276,898	1,063,891
Uncollected Payments:			
Uncollected payments, Federal sources, brought forward, October 1	(1,984,537)	(21,490)	-
Change in uncollected payments, Federal sources	294,201	19,430	-
Uncollected payments, Federal sources, end of year	(1,690,336)	(2,060)	-
Obligated balance, start of year	$ 9,976,849	$ 246,802	$ 949,782
Obligated balance, end of year	$ 9,238,715	$ 274,838	$ 1,063,891
BUDGET AUTHORITY AND OUTLAYS, NET			
Budget authority, gross (discretionary and mandatory)	$ 44,427,193	$ 4,888,571	$ 1,731,079
Less: actual offsetting collections (discretionary and mandatory)	(3,978,975)	(3,036,190)	(34,014)
Less: change in uncollected customer payments from Federal sources (discretionary and mandatory)	294,201	19,430	-
Budgetary authority, net (discretionary and mandatory)	$ 40,742,419	$ 1,871,811	$ 1,697,065
Outlays, gross (discretionary and mandatory)	$ 45,121,908	$ 4,952,555	$ 1,665,860
Actual offsetting collections (discretionary and mandatory)	(3,978,975)	(3,036,190)	(34,014)
Outlays, net (discretionary and mandatory)	41,142,933	1,916,365	1,631,846
Distributed offsetting receipts	(1,044,765)	(1,852)	-
Agency outlays, net (discretionary and mandatory)	$ 40,098,168	$ 1,914,513	$ 1,631,846

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Occupational Safety and Health Administration	Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training Service	Wage and Hour Division	Other Program Agencies	TOTAL
$ 18,731	$ 9,648	$ 4,267	$ 5,007	$ 6,126	$ 42,953	$ 113,559	$ 4,611,740
7,368	4,666	5,912	5,711	7,582	5,459	23,917	564,577
(10,416)	(2,501)	(2,672)	(4,245)	(5,795)	(4,333)	(1,235)	(1,373,066)
15,683	11,813	7,507	6,473	7,913	44,079	136,241	3,803,251
552,788	527,212	375,888	181,000	38,109	274,812	629,714	46,890,818
(1,122)	87,385	2,063	6,204	232,094	251	380,059	7,442,482
$ 567,349	$ 626,410	$ 385,458	$ 193,677	$ 278,116	$ 319,142	$ 1,146,014	$ 58,136,551
$ 556,916	$ 618,830	$ 378,669	$ 188,194	$ 272,925	$ 284,414	$ 1,054,480	$ 54,689,093
420	807	597	813	213	26,910	62,113	2,767,119
-	-	-	-	-	-	-	41,804
10,013	6,773	6,192	4,670	4,978	7,818	29,421	638,535
10,433	7,580	6,789	5,483	5,191	34,728	91,534	3,447,458
$ 567,349	$ 626,410	$ 385,458	$ 193,677	$ 278,116	$ 319,142	$ 1,146,014	$ 58,136,551
$ 96,545	$ 107,127	$ 58,298	$ 55,723	$ 110,995	$ 34,057	$ 411,012	$ 14,053,217
556,916	618,830	378,669	188,194	272,925	284,414	1,054,480	54,689,093
(558,418)	(621,804)	(387,289)	(190,822)	(269,044)	(279,235)	(929,967)	(54,976,902)
(7,368)	(4,666)	(5,912)	(5,711)	(7,582)	(5,459)	(23,917)	(564,577)
87,675	99,487	43,766	47,384	107,294	33,777	511,608	13,200,831
(2,979)	-	-	-	-	-	(8,697)	(2,017,703)
2,479	-	-	(2,690)	-	-	6,657	320,077
(500)	-	-	(2,690)	-	-	(2,040)	(1,697,626)
$ 93,566	$ 107,127	$ 58,298	$ 55,723	$ 110,995	$ 34,057	$ 402,315	$ 12,035,514
$ 87,175	$ 99,487	$ 43,766	$ 44,694	$ 107,294	$ 33,777	$ 509,568	$ 11,503,205
$ 551,666	$ 614,597	$ 377,951	$ 187,204	$ 270,203	$ 275,063	$ 1,009,773	$ 54,333,300
(1,357)	(87,385)	(2,063)	(3,514)	(232,094)	(251)	(386,716)	(7,762,559)
2,479	-	-	(2,690)	-	-	6,657	320,077
$ 552,788	$ 527,212	$ 375,888	$ 181,000	$ 38,109	$ 274,812	$ 629,714	$ 46,890,818
$ 558,418	$ 621,804	$ 387,289	$ 190,822	$ 269,044	$ 279,235	$ 929,967	$ 54,976,902
(1,357)	(87,385)	(2,063)	(3,514)	(232,094)	(251)	(386,716)	(7,762,559)
557,061	534,419	385,226	187,308	36,950	278,984	543,251	47,214,343
-	-	5,508	-	-	-	(16,942)	(1,058,051)
$ 557,061	$ 534,419	$ 390,734	$ 187,308	$ 36,950	$ 278,984	$ 526,309	$ 46,156,292

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COMBINING STATEMENTS OF BUDGETARY RESOURCES
For the Year Ended September 30, 2014

	Employment and Training Administration	Office of Workers' Compensation Programs	Office of Job Corps
BUDGETARY RESOURCES			
Unobligated balance brought forward, October 1	$ 2,015,197	$ 1,209,243	$ 1,227,110
Recoveries of prior year unpaid obligations	284,276	10,180	26,995
Other changes in unobligated balance	(261,811)	(2,046)	(13,756)
Unobligated balance from prior year budget authority, net	2,037,662	1,217,377	1,240,349
Appropriations (discretionary and mandatory)	53,075,632	2,106,108	1,700,979
Borrowing authority (discretionary and mandatory)	2,700,000	-	-
Spending authority from offsetting collections (discretionary and mandatory)	3,875,605	3,086,893	1,084
Total budgetary resources	$ 61,688,899	$ 6,410,378	$ 2,942,412
STATUS OF BUDGETARY RESOURCES			
Obligations incurred	$ 59,745,569	$ 4,879,765	$ 2,004,906
Unobligated balance, end of year			
Apportioned	546,168	1,442,385	900,991
Exempt from apportionment	-	46,795	-
Unapportioned	1,397,162	41,433	36,515
Total unobligated balance, end of year	1,943,330	1,530,613	937,506
Total budgetary resources	$ 61,688,899	$ 6,410,378	$ 2,942,412
CHANGE IN OBLIGATED BALANCE			
Unpaid Obligations:			
Unpaid obligations, brought forward, October 1	$ 13,360,987	$ 227,844	$ 582,162
Obligations incurred	59,745,569	4,879,765	2,004,906
Less: Outlays (gross)	(60,860,894)	(4,829,137)	(1,610,291)
Less: recoveries of prior year unpaid obligations	(284,276)	(10,180)	(26,995)
Unpaid obligations, end of year	11,961,386	268,292	949,782
Uncollected Payments:			
Uncollected payments, Federal sources, brought forward, October 1	(1,935,613)	(990)	-
Change in uncollected payments, Federal sources	(48,924)	(20,500)	-
Uncollected payments, Federal sources, end of year	(1,984,537)	(21,490)	-
Obligated balance, start of year	$ 11,425,374	$ 226,854	$ 582,162
Obligated balance, end of year	$ 9,976,849	$ 246,802	$ 949,782
BUDGET AUTHORITY AND OUTLAYS, NET			
Budget authority, gross (discretionary and mandatory)	$ 59,651,237	$ 5,193,001	$ 1,702,063
Less: actual offsetting collections (discretionary and mandatory)	(3,826,681)	(3,066,393)	(1,084)
Less: change in uncollected customer payments from Federal sources (discretionary and mandatory)	(48,924)	(20,500)	-
Budgetary authority, net (discretionary and mandatory)	$ 55,775,632	$ 2,106,108	$ 1,700,979
Outlays, gross (discretionary and mandatory)	$ 60,860,894	$ 4,829,137	$ 1,610,291
Actual offsetting collections (discretionary and mandatory)	(3,826,681)	(3,066,393)	(1,084)
Outlays, net (discretionary and mandatory)	57,034,213	1,762,744	1,609,207
Distributed offsetting receipts	(6,459,842)	(1,891)	-
Agency outlays, net (discretionary and mandatory)	$ 50,574,371	$ 1,760,853	$ 1,609,207

Occupational Safety and Health Administration	Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training Service	Wage and Hour Division	Other Program Agencies	TOTAL
$ 20,042	$ 6,778	$ 3,155	$ 5,597	$ 6,957	$ 53,117	$ 107,882	$ 4,655,078
4,685	6,567	2,749	1,011	3,648	8,263	88,442	436,816
(4,712)	(1,696)	(1,143)	(795)	(4,059)	(2,741)	(6,845)	(299,604)
20,015	11,649	4,761	5,813	6,546	58,639	189,479	4,792,290
552,249	527,212	375,887	178,500	38,109	268,067	612,970	59,435,713
-	-	-	-	-	-	-	2,700,000
2,112	84,264	2,315	6,143	231,465	3,059	311,949	7,604,889
$ 574,376	$ 623,125	$ 382,963	$ 190,456	$ 276,120	$ 329,765	$ 1,114,398	$ 74,532,892
$ 555,645	$ 613,477	$ 378,696	$ 185,449	$ 269,994	$ 286,812	$ 1,000,839	$ 69,921,152
79	696	256	79	208	26,734	62,159	2,979,755
-	-	-	-	-	-	-	46,795
18,652	8,952	4,011	4,928	5,918	16,219	51,400	1,585,190
18,731	9,648	4,267	5,007	6,126	42,953	113,559	4,611,740
$ 574,376	$ 623,125	$ 382,963	$ 190,456	$ 276,120	$ 329,765	$ 1,114,398	$ 74,532,892
$ 79,162	$ 99,264	$ 40,184	$ 54,660	$ 90,300	$ 26,878	$ 430,680	$ 14,992,121
555,645	613,477	378,696	185,449	269,994	286,812	1,000,839	69,921,152
(533,577)	(599,047)	(357,833)	(183,375)	(245,651)	(271,370)	(932,065)	(70,423,240)
(4,685)	(6,567)	(2,749)	(1,011)	(3,648)	(8,263)	(88,442)	(436,816)
96,545	107,127	58,298	55,723	110,995	34,057	411,012	14,053,217
(2,979)	(262)	-	-	-	-	(6,213)	(1,946,057)
-	262	-	-	-	-	(2,484)	(71,646)
(2,979)	-	-	-	-	-	(8,697)	(2,017,703)
$ 76,183	$ 99,002	$ 40,184	$ 54,660	$ 90,300	$ 26,878	$ 424,467	$ 13,046,064
$ 93,566	$ 107,127	$ 58,298	$ 55,723	$ 110,995	$ 34,057	$ 402,315	$ 12,035,514
$ 554,361	$ 611,476	$ 378,202	$ 184,643	$ 269,574	$ 271,126	$ 924,919	$ 69,740,602
(2,112)	(84,526)	(2,315)	(6,143)	(231,465)	(3,059)	(309,465)	(7,533,243)
-	262	-	-	-	-	(2,484)	(71,646)
$ 552,249	$ 527,212	$ 375,887	$ 178,500	$ 38,109	$ 268,067	$ 612,970	$ 62,135,713
$ 533,577	$ 599,047	$ 357,833	$ 183,375	$ 245,651	$ 271,370	$ 932,065	$ 70,423,240
(2,112)	(84,526)	(2,315)	(6,143)	(231,465)	(3,059)	(309,465)	(7,533,243)
531,465	514,521	355,518	177,232	14,186	268,311	622,600	62,889,997
-	-	(5,508)	-	-	-	(14,819)	(6,482,060)
$ 531,465	$ 514,521	$ 350,010	$ 177,232	$ 14,186	$ 268,311	$ 607,781	$ 56,407,937

Other Information

Inspector General's Top Management and Performance Challenges

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

OCT 16 2015

MEMORANDUM FOR THE SECRETARY

FROM: SCOTT S. DAHL
Inspector General

SUBJECT: Top DOL Management and Performance Challenges

As required by the Reports Consolidation Act of 2000, we have identified the most serious management and performance challenges facing the Department of Labor (DOL). These challenges will be included in DOL's "Agency Financial Report" for FY 2015. The Department plays a vital role in the nation's economy and in the lives of workers and retirees, and, therefore, must remain vigilant in its important stewardship of taxpayer funds, particularly in an era of shrinking resources.

In this report, we summarize the challenges, significant DOL progress to date, and what remains to be done to address them. The challenges we identified are:

- Providing a Safe Learning Environment at Job Corps Centers
- Protecting the Safety and Health of Workers
- Helping Adults, Youth and Veterans Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market
- Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families
- Securing and Managing Information Systems
- Reducing Improper Payments

I would be pleased to meet with you concerning any aspect of this report.

Attachment

cc: Deputy Secretary Christopher Lu
Principal Deputy Chief Financial Officer Geoffrey Kenyon

Working for America's Workforce

Top Management and Performance Challenges Facing the Department of Labor

As of November 2015, the OIG considers the following as the most serious management and performance challenges facing the Department:

- Providing a Safe Learning Environment at Job Corps Centers
- Protecting the Safety and Health of Workers
- Helping Adults, Youth and Veterans Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market
- Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families
- Securing and Managing Information Systems
- Reducing Improper Payments

CHALLENGE: Providing a Safe Learning Environment at Job Corps Centers

BACKGROUND

The Job Corps program provides residential and nonresidential education, training, and support services to approximately 60,000 disadvantaged, at-risk youth, ages 16-24, at 125 Job Corps centers nationwide. The goal of this $1.6 billion program is to offer an intensive intervention to this targeted population as a means to help them learn a career, earn a high school diploma or pass the General Education Development test, and find and keep a good job.

CHALLENGE FOR THE DEPARTMENT

The Job Corps program remains challenged in its efforts to control violence and provide a safe learning environment at its centers. Without providing a safe learning environment for students and staff, Job Corps cannot meet its core mission of attracting young people who face economic disadvantages or come from debilitating environments, teaching them the skills they need to become employable and independent, and placing them in meaningful jobs or further education.

Job Corps centers have been troubled by violence and other criminal behavior for years, as some center operators have not been enforcing disciplinary policies. In the past year, a student at the St. Louis Job Corps Center allegedly shot and killed another student in their dormitory room, and center operations at the Homestead Job Corps Center in South Florida were suspended and students transferred to other centers after a student there was murdered, allegedly by several of his fellow students.

Previous to these serious incidents, OIG audits disclosed that some Job Corps centers failed to report and investigate serious misconduct, like drug abuse and assaults, or downgraded incidents of violence to lesser infractions to keep students enrolled, creating an unsafe environment for students and staff.

DEPARTMENT'S PROGRESS

Job Corps indicated it took steps in 2014 to address safety issues at its centers. Job Corps stated it instructed its regional offices to take immediate action to ensure centers are enforcing the program's zero tolerance policy. In addition, Job Corps reported it is developing a comprehensive center safety profile intended to provide management staff with current data on significant incident reports and comments and concerns expressed by students or the public regarding center safety. Job Corps stated regional office staff has been instructed to conduct unannounced monitoring visits to centers with a focus on high-risk or low-performing centers, and it is seeking an extra $3.5 million to help coordinate oversight at its regional offices.

Job Corps also stated it is in the process of developing a risk management assessment tool to help program managers identify centers with a higher level of programmatic risk, including factors such as safety and student conduct. In response to concerns about the underreporting of data regarding student conduct infractions and dispositions, Job Corps reported it has conducted training on entering complete and accurate data in a timely manner into its Center Information System.

WHAT REMAINS TO BE DONE

To provide a safe and healthful center environment for Job Corps students and staff, the Department needs to expeditiously implement the various initiatives it has recently begun to protect the safety of its students. After these initiatives have been implemented, the Department must be more vigilant in its monitoring to ensure center operators and Regional Office personnel fully enforce Job Corps' zero tolerance policy. The Department also needs to examine whether its admissions screening process is adequately vetting the youth who apply for admission to the program, and whether it needs to modify the performance clauses in center operators' contracts to remove possible disincentives to enforcing its zero tolerance policy.

CHALLENGE: Protecting the Safety and Health of Workers

BACKGROUND

The Department administers the Occupational Safety and Health Act of 1970 (OSH Act) and the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act). DOL's effective enforcement of these laws is critical to protecting workers from death, injury, and illness.

The two DOL agencies primarily responsible for enforcing these laws are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). OSHA and its state partners are responsible for the safety and health of 130 million workers employed at more than 8 million establishments. MSHA is responsible for the safety and health of more than 350,000 miners who work at more than 13,000 mines.

CHALLENGE FOR THE DEPARTMENT

The Department faces challenges in determining how to best use its limited resources to help ensure the safety and health of workers, particularly in high risk industries such as construction, forestry, fishing, agriculture, and mining. OIG audits have found OSHA lacks outcome-based data needed to determine the effectiveness of its programs. OSHA is also challenged to protect workers from retaliation and discrimination when they "blow the whistle" on unsafe or unhealthy workplace practices.

MSHA continues to struggle to meet its statutory mine inspection requirements and other enforcement responsibilities, such as protecting the rights of miners who report workplace safety and health concerns. At MSHA, this challenge is made even more difficult by the demands of maintaining a cadre of experienced, diverse, and properly trained enforcement staff and top management. Almost 40% of MSHA's health and safety personnel are eligible to retire by 2017. This is a particularly pressing issue given the nearly 2 years it takes to train new mine inspectors. Moreover, 78% of MSHA's top leadership is eligible to retire by 2017. MSHA is also challenged by the underreporting of occupational injuries and illnesses by mine operators. This underreporting hinders MSHA's ability to focus its resources on mines that have elevated accident and injury rates.

MSHA recently implemented the first phase of its new standards for a phased reduction in the amount of allowable respirable dust in coal mines by August 2016. While MSHA has reported positive results in the first phase, the agency remains challenged to ensure compliance with the more rigorous standard taking effect in 2016, particularly in the face of an ongoing court challenge by the industry to the new regulations.

DEPARTMENT'S PROGRESS

OSHA stated it is considering changes to the way it does business to better use its limited resources. In this regard, the Department initiated a multi-year study of OSHA's Site Specific Targeting program to assess the impact of program interventions on future employer compliance. The study is scheduled to be completed by the end of calendar year 2015. OSHA has introduced 10 new performance measures for monitoring State Plans, one of which is intended to help OSHA determine the effectiveness of State Plan inspection targeting. For its whistleblower protection program, OSHA has created and updated its dedicated website – www.whistleblowers.gov. The site provides workers, employers, and the public with easily accessible information about the 22 federal whistleblower protection statutes OSHA currently administers. OSHA has also established whistleblower dedicated Assistant Regional Administrator positions in its regions.

MSHA stated it has new and ongoing initiatives and other strategies in FY 2015 to protect the nation's miners, with the goal of continuing the long-term trend toward reduced fatality rates. MSHA stated it stepped up its targeted enforcement at metal/nonmetal mines and continued to engage in compliance initiatives including implementation of the first phase of the Respirable Dust Rule to end black lung disease among coal miners, promotion of the Rules to Live By initiative to prevent common types of mining deaths, and issuance of guidance on ladder safety and workplace examinations to improve compliance with the most frequently cited violations of metal/nonmetal standards. MSHA issued a final rule on proximity detection systems for continuous mining machines in underground coal mines and a proposed rule for proximity detection systems on mobile machines, also in underground coal mines. In addition, MSHA stated it implemented technological advancements to make mine rescue safer and more efficient and extended its mine rescue reach by establishing regional mine emergency stations. MSHA also stated it has developed a succession plan for FYs 2013-2017 and is implementing key strategies for leadership development such as training, mentoring and detailing employees to developmental assignments.

WHAT REMAINS TO BE DONE

OSHA's performance measures have been focused on activities rather than outcomes. While OSHA cites several studies that have shown a positive impact from OSHA inspections, the agency needs to continue its efforts to develop metrics that reflect the impact of its enforcement efforts on improving workplace safety and health. When its study of the Site Specific Targeting Program is completed, OSHA needs to analyze the study results and use them to improve its targeting efforts. Similarly, OSHA needs to evaluate its ten new performance measures to identify the measures that have been having a positive impact on improving worker safety and health. While OSHA has implemented timeliness measures for its Whistleblower Program, it needs to develop performance measures that will indicate if the program is working as intended and if complaints are being thoroughly investigated.

MSHA needs to continue taking action to further enhance its knowledge of the underreporting of accidents, injuries and illnesses by mine operators and use this knowledge to finalize its strategy to address mine operator programs and practices that discourage reporting. MSHA also needs to continue working on the next steps in mine safety, including training the mine rescue community on state-of-the-art communications, monitoring and tracking systems; developing new mine rescue and command and control guidance; investing in video tools for advancing rescue teams; and upgrading seismic and robotics technology. MSHA also needs to continue conducting stakeholder outreach so that mine operators have ample time to adjust to the new respirable coal dust requirements. MSHA further needs to continue its efforts to ensure key health, safety, and top management positions do not experience significant vacancies.

CHALLENGE: Helping Adults, Youth and Veterans Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market

BACKGROUND

In FY 2015, the Department's Employment and Training Administration (ETA) was appropriated $1.8 billion for grants to states for Workforce Innovation and Opportunity Act (Opportunity Act) Adult, Dislocated Worker, and Youth programs. On July 1, 2015, most provisions of the Opportunity Act, which replaced the Workforce Investment Act of 1998, took effect. The Opportunity Act contains provisions to strategically align workforce development programs to develop participants' skills to meet needs of employers and to improve accountability and transparency in reporting. ETA also operates the Job Corps program, spending $1.6 billion dollars annually to provide residential and nonresidential education, training, and support services to approximately 60,000 disadvantaged, at-risk youths (ages 16-24), at 125 Job Corps centers nationwide.

The Veterans' Employment and Training Service (VETS) assists veterans in obtaining and maintaining civilian employment primarily through its Jobs for Veterans State Grants Program. Administered by State Workforce Agencies, this program provides employment services to disabled and other eligible veterans, conducts outreach to employers, and engages in advocacy efforts to increase employment opportunities for veterans.

CHALLENGE FOR THE DEPARTMENT

The Department remains challenged to ensure its job training programs and related services are helping those with barriers to employment to secure the skills and credentials they need to obtain jobs paying a living wage. This challenge is made even more difficult by a lack of reliable outcome data that prevents the Department from being able to evaluate the effectiveness of its workforce development programs.

Our work in Job Corps has found its graduates have been often placed in jobs unrelated to the occupational skills training they received or in jobs that required little or no training. A 2014 GAO report on Workforce Investment Act (WIA) training outcome data concluded that data on credential attainment and training-related employment can potentially provide more meaningful information on the value of training services. The Department faces challenges in assuring credentials that participants obtain from DOL-funded training programs are industry-recognized and actually help participants obtain jobs in those industries. The Department continues to be challenged to ensure the accuracy of reported outcomes data, as states do not have the technical capabilities needed to track and report this data. While provisions in the Opportunity Act are designed to standardize performance metrics and data collection, the new act does not include a requirement to report on training-related placements.

The employment situation for veterans has improved, as evidenced by the Bureau of Labor Statistics' announcement in August 2015 that the unemployment rate for veterans had dropped to 4.2%– a 7 year low. As military downsizing continues, the Department will continue to be challenged to meet the demand for employment services by veterans returning to civilian life, particularly for those with barriers to employment. In particular, facilitating veteran attainment of licensing and credentialing for civilian jobs similar to their military jobs is one of the Department's most important and challenging objectives. The Department estimates about 90% of future participants served by its Jobs for Veterans State Grants program will require career services, such as career planning and assessment and referrals to job training and support services. A lack of reliable data has been preventing VETS from determining how well states have been meeting veterans' needs for services that lead to good jobs.

DEPARTMENT'S PROGRESS

In July 2015, provisions in the Opportunity Act took effect to improve accountability by requiring the reporting of common performance indicators used by federally funded workforce training programs. For example, the Act created a single set of common measures for adults across all core programs authorized under the bill, including both occupational training and adult education programs, and a similar set of common measures across all youth serving programs authorized under the bill. ETA has begun providing guidance and technical assistance to states to assist with the transition to the new Opportunity Act requirements, and has proposed regulations to implement the new legislation.

ETA expects to begin to receive the initial results from its WIA Gold Standard Evaluation by the end of 2015 and the final impact findings in 2017. ETA stated it plans to use these results to identify those practices and services that are having a positive impact on participants' ability to obtain good jobs.

Job Corps indicated it implemented a standards-based system of teaching and learning and began to identify and replicate the practices of high-performing centers. To improve the usefulness of its reported performance data, Job Corps stated it has updated its Job Training Match Crosswalk to align with the revised DOL O*NET-Standard Occupational Classification database, which characterizes all jobs in the U.S. labor market. Another area of progress cited by Job Corps is its system-wide credentialing strategy to align all career technical training offered throughout the program with an industry recognized credential, thereby offering every graduate the opportunity to earn at least one industry recognized credential upon program completion. Job Corps also stated it has increased its oversight of under-performing training programs by improving monitoring and more effectively using performance improvement plans, center assessments, and other oversight tools.

VETS stated it has provided more emphasis and efforts in three areas: 1) preventing unemployment of recently-separated veterans by engaging with them before they leave military service; 2) serving veterans with significant barriers to employment; and 3) expanding nationwide outreach. VETS also noted participation in the Department of Labor Employment Workshop portion of the military's Transition Assistance Program has increased almost 30% since 2013, and it has redesigned the workshop curriculum to be more responsive to the career needs of participants. VETS stated it has designated categories of transitioning service members as eligible to receive services from its Disabled Veterans Outreach specialists before they leave active duty, and has partnered with the Department of Defense to allow eligible transitioning service members to participate in registered apprenticeships during their last six months of military service. VETS also partnered with the Department of Veterans Affairs to establish a Joint Work Group whose goal is to improve the quality of employment services and outcomes for veterans with disabilities. Finally, VETS stated it has expanded its nationwide outreach program by adding staff in the national and six regional offices to improve awareness of VETS' program and cooperation with stakeholders.

WHAT REMAINS TO BE DONE

The Department must reconcile public comments and issue final regulations to implement the provisions of the Opportunity Act by January 22, 2016. The performance requirements of the Opportunity Act take effect starting July 2016; therefore, ETA needs to establish a new data collection and update technology to collect this new data. At a minimum, ETA will need to address data reliability and validity challenges over the initial implementation year. ETA also needs to ensure the results of the WIA Gold Standard Evaluation are used to identify those services that are having a positive impact on participants' ability to obtain good jobs.

In Job Corps, the Department needs to complete its plans to issue new guidance on performance improvement plans and to revise its procedures for conducting regional office center assessments. The Department also needs to evaluate the effectiveness of Job Corps' system-wide credentialing strategy. The Department should continue to pursue statutory access to the National Directory of New Hires. Such access would streamline the process of obtaining earnings data needed to assess the impact of services provided by ETA, VETS, and other agencies within the Department. The Department should also consider conducting a longitudinal study, similar to the WIA Gold Standard Evaluation, of the job counseling, training, and placement services for veterans provided by the Department. Such a study could provide a better understanding of the impact of the Department's services on the employment outcomes of veterans.

CHALLENGE: Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families

BACKGROUND

The Employee Benefits Security Administration (EBSA) protects the integrity of pensions, health, and other employee benefits for about 143 million people. EBSA's enforcement authority extends to an estimated 677,000 private retirement plans, 2.3 million health plans, and a similar number of other employee welfare plans that together hold $8.7 trillion in assets. EBSA's responsibilities include providing oversight of the federal Thrift Savings Plan, the largest defined-contribution plan in the United States, with nearly $450 billion in assets and 5 million participants.

CHALLENGE FOR THE DEPARTMENT

EBSA's limited authority and resources present challenges in achieving its mission of administering and enforcing Employee Retirement Income Security Act (ERISA) requirements protecting the pensions, health, and other employee benefits for approximately 143 million participants and beneficiaries. An important part of EBSA's mission is to deter and correct violations of ERISA through a strong enforcement program to ensure workers receive promised benefits. Given the number of plans the agency oversees relative to the number of investigators, EBSA has to devise ways to focus its available resources on investigations, audits and other reviews that it believes will most likely result in the deterrence, detection, and correction of ERISA violations. In order to do so, EBSA must determine which of its enforcement initiatives are the most effective.

For many years, EBSA's oversight efforts have been challenged by the fact that billions of dollars in pension assets held in otherwise regulated entities, such as banks, escaped audit scrutiny. ERISA provides an option for a limited-scope audit under which plan auditors, generally, need not audit investment information certified by certain banks or insurance carriers presumably because they are being audited by other entities for other purposes. As a result, the independent public accountants that conduct their audits express "no opinion" on the financial statements of plans that receive certifications from these institutions holding assets on behalf of the plans. These limited-scope audits weaken assurances to stakeholders and may put retirement plan assets at risk because they provide little or no confirmation regarding the existence or value of plan assets. These concerns were renewed by recent audit findings that as much as $3.3 trillion in pension assets, including an estimated $800 billion in hard-to-value alternative investments, received limited-scope audits that provided few assurances to participants as to the financial health of their plans.

EBSA is further challenged by the large increase in the types and complexity of investment products available to pension plans. EBSA's proposed conflict of interest rule is intended to ensure workers enrolled in retirement plans can be assured the investment advice they receive is delivered with their best interest in mind, but the rule faces significant opposition from Congress and industry stakeholders.

EBSA also faces challenges in protecting participants in ERISA-covered, self-funded health plans from improper claim denials. EBSA has little or no information about the plans it oversees because it has exempted 98% of health plans from the requirement to file Form 5500 informational reports. EBSA should reexamine the filing exemption for small plans and capture data on claims for health plans on Form 5500.

DEPARTMENT'S PROGRESS

In FY 2011, EBSA implemented the Sample Investigation Program (SIP) to measure compliance with the civil provisions of ERISA. EBSA reported it has processed 1,415 SIP cases through September 15, 2015, and thoroughly analyzed the data. EBSA stated the analysis showed that the employee benefit plans, violations and investigations studied were too different from each other to draw meaningful statistically-supported inferences regarding overall compliance or the impact of EBSA's investigations. EBSA said it will continue to analyze the data, including identifying consequential trends, to make it statistically more useful to the agency, but will only be able to report on certain issues in a qualitative way. Going forward, EBSA plans to scale back the SIP program to redirect resources to other compliance projects, including one on bonding. Rather than attempt to measure overall compliance with all of ERISA's many provisions, EBSA stated it is focusing on this specific compliance issue of special importance to the integrity of plans and plan benefits.

WHAT REMAINS TO BE DONE

EBSA should continue to analyze violation trends as an additional methodology to help guide its resource allocation strategies.

EBSA should concentrate on ensuring final regulations on the conflict of interest rule are issued and continue its work to obtain legislative changes repealing the limited-scope audit exemption. In the interim, EBSA should continue to expand its existing authority to clarify and strengthen limited scope audit regulations and evaluate the ERISA Council's recommendations on the issue.

Regarding health plans, EBSA needs to reexamine the filing exemption for small plans and capture data on claims for health plans on Form 5500, increase its enforcement activities, and improve its analysis of the denial of claims data at the plan and insurer levels. EBSA should also continue participant complaint reporting, collaborating with states on data and enforcement activities, and work with plans and review other ways it could improve the external review process for participants and beneficiaries.

CHALLENGE: Securing and Managing Information Systems

BACKGROUND

More than 50 of the Department's major information systems contain sensitive information that is central to its mission and to the effective administration of its programs. Departmental systems are used to analyze and house the nation's leading economic indicators, such as the unemployment rate and the Consumer Price Index. They also maintain critical and sensitive data related to the Department's financial activities, enforcement actions, worker safety, health, pension, and welfare benefits, job training services, and other worker benefits.

CHALLENGE FOR THE DEPARTMENT

Safeguarding data and information systems is a continuing challenge for all federal agencies, including the Department of Labor. The recent cyber-theft of an estimated 22 million federal personnel records from the Office of Personnel Management highlights the risks faced by federal agencies. OIG's audits and investigations have identified deficiencies in configuration management and account management, as well as security and access controls weaknesses in the Department's major information systems, including web applications. These deficiencies pose an increased risk to the security of data and information maintained in Departmental systems.

The Department remains challenged to fully implement two-factor authentication for 100% of its users, particularly its privileged users. The Department also needs to reduce the number of users with privileged access to systems to minimize its exposure to attacks similar in nature to the OPM data breach. The Department continues to be challenged to mitigate the significant deficiencies associated with its systems' access controls and its third party oversight and configuration management processes. The Department must address challenges related to mitigating the risks associated with the acquisition and management of cloud solutions such as ensuring contracts contain provisions that protect the integrity, security and availability of government owned data, and monitoring usage rates to ensure charges do not exceed funded amounts. The Department also needs to mitigate the risks posed by today's smartphones. Mobile devices can be easily misplaced or stolen, are susceptible to electronic eavesdropping, and their whereabouts can be easily tracked and secretly monitored.

The Department continues to face challenges in managing its financial system, New Core Financial Management System (NCFMS), created by sudden legal and bankruptcy issues faced by the private sector firm that was providing these services. The Department procured the NCFMS assets and entered into an interagency agreement for a federal shared services provider to assume operations and maintenance of NCFMS at a cost of more than $2 million per month. The Department has entered into another $24.9 million time and materials interagency agreement with the shared services provider to operate and maintain NCFMS over a one-year period that began in April 2015. Initially, a time and materials agreement may have been the most appropriate as the shared services provider was gaining an understanding of the operations and stabilizing the system; however, the provider has now been operating NCFMS for almost a year, but the Department has not been able to define its requirements and move to a fixed-price agreement.

DEPARTMENT'S PROGRESS

As of September 15, 2015, the Department reported it had implemented two-factor authentication for about 89% of its users. The Department plans to achieve full compliance with two-factor authentication by September 30, 2015. The Department has piloted a mobile device management solution, MaaS360, to secure mobile device usage across the Department. In April 2015, the Department issued guidance to provide agencies with a standard oversight and monitoring process for its external service providers. The Department stated it has increased the frequency of its monitoring reviews and is in the process of deploying additional enterprise monitoring tools to address the weaknesses associated with agency account management and baseline configuration procedures.

The Department stated it has taken steps to mitigate NCFMS costs, but contended NCFMS operations continue to lack the certainty needed to make a firm-fixed priced agreement a reasonable and prudent choice as we recommended. The Department stated it will closely monitor costs under its current agreement and will consider a firm-fixed priced agreement if and when it becomes the more cost efficient model.

WHAT REMAINS TO BE DONE

The Department needs to fully implement the use of Personal Identity Verification (PIV) cards to provide greater security of its information systems. Departmental agencies need to prioritize available resources to implement planned actions to correct deficiencies in web applications, configuration management, access controls (including account management), and update its third-party oversight procedures by December 31, 2015. The Department needs to update its policies for managing applications and information in cloud computing environments to include best practices. The Department also needs to implement the OMB M-07-16 requirement to log/verify data extracts and complete its plans to implement a mobile device management program that can be scaled to cover up to 30,000 portable devices.

The Department must closely monitor the operation and maintenance services of NCFMS to mitigate financial and operational risks. The Department should establish a firm-fixed priced agreement with the federal shared service provider for routine operation and maintenance to assist the Department in managing its costs within budgeted amounts and reduce the need for agencies to shift funds from program-related requirements.

CHALLENGE: Reducing Improper Payments

BACKGROUND

In its Fiscal Year (FY) 2014 Agency Financial Report, the Department estimated the Unemployment Insurance (UI) benefit program made $5.6 billion in improper payments. According to OMB, the UI program had the fifth highest amount of reported improper payments among all federal programs. Claimants who failed to actively seek employment and therefore did not meet work search requirements were the leading cause of UI overpayments. OIG investigations also continue to uncover fraud committed by individual UI recipients who do not report or underreport earnings, as well as fraud related to fictitious employer schemes.

The cluster of Workforce Investment Act Title I grant programs (Adult, Youth, and Dislocated Workers) and the FECA benefit program have been classified as at-risk of significant improper payments by OMB former Circular No. A-11, Section 57.

CHALLENGE FOR THE DEPARTMENT

OMB has designated the UI program as being particularly at risk for improper payments, and the Department's ability to identify and reduce UI improper payments continues to be a challenge. OIG's investigative casework clearly shows the UI program remains vulnerable to fraud and abuse. As detailed in OIG's July 2015 investigative advisory report on UI fraud, identity thieves and organized criminal groups have found ways to exploit program weaknesses, and the OIG views this fraud as a significant threat to the integrity of the UI program.

The Department also remains challenged in identifying the full extent of improper payments in the FECA and WIA programs. The FY 2014 improper payment estimate for FECA was likely understated because the estimate excluded initial payments made in the first 90 days of a compensation claim, as well as payments made on claims initiated on older claims. While some amount of improper payments may be unavoidable due to the need to make initial payments as quickly as possible to alleviate hardships to injured federal workers, the Department should track the extent of such improper payments and whether they get adjusted to the correct amount. Also, the estimate of fraudulent FECA payments was based on actual restitution amounts and therefore did not reflect an estimate of undetected fraud. For the WIA programs, data are not readily available to allow the Department to directly sample grant payments and develop a statistically valid estimate of improper payments.

DEPARTMENT'S PROGRESS

The Department continues to work with states to implement a number of strategies to improve the prevention, detection and recovery of UI improper payments, and cited positive impacts such as an 83% reduction in the Employment Services registration error rate in the 2014 reporting period compared with the 2011 baseline. The Department also pursued the "Improper Payment High Priority States" initiative to reduce the UI improper payment rate in those states with unacceptably high levels over a prolonged period. According to the Department, each of the six states designated in FY 2012 and two states designated in FY 2013 achieved an improper payment rate below 10%, resulting in their removal from this designation in FY 2015 (although five new states were identified as subject to enhanced monitoring and technical assistance). In September 2015, the Department's UI Integrity Center of Excellence hosted a UI Technology Symposium for states to exchange information with each other about technology and tools for the prevention and detection of improper payments. In addition, the Department stated it is working to improve collaboration with federal benefit programs, such as Earned Income Tax

Credit and Medicaid, which were recently targeted by fraud schemes involving the use of stolen, personally-identifying information to fraudulently claim benefits.

With respect to improper payments in the FECA program, in FY 2014 the Department implemented a new, OMB-approved methodology for estimating the FECA improper payment rate and will report the FECA improper payment rate on an annual basis. In addition, OWCP stated it is developing a Program Integrity Unit with auditors and data analysts to provide greater oversight and analysis of payment accuracy. OWCP has also contracted with a data analytics firm to assist in developing technology and analytic tools to detect and monitor inherent risk in claims, payments, and providers. The resultant technology should enable OWCP to refine its policy, procedures, and oversight interventions. In the WIA programs, the Department stated it has attempted to identify the full extent of improper payments by including estimates from other sources.

WHAT REMAINS TO BE DONE

The Department needs to employ cost benefit and return on investment analyses to evaluate the impact of its improper payment reduction strategies for UI. The Department can further improve oversight of the states' detection and prevention of UI overpayments by increasing the frequency of on-site reviews at State Workforce Agencies (SWAs). In addition, the Department needs to continue pursuing legislation to allow states to use a percentage of recovered UI overpayments to detect and deter benefit overpayments.

OIG's July 2015 investigative advisory report included several recommendations on actions the Department should take to address systemic weaknesses that make the UI program more susceptible to fraudulent activity. For example, SWAs should pay all UI claims by physical check, direct deposit, or a debit card issued by state-approved vendors. Such cards provide for account holder verification and make it easier to identify individuals who are submitting fraudulent claims. ETA also needs to work with SWAs to develop a plan to identify multiple claims that originate from the same IP addresses, provide all identified fraudulent claimant information to a shared database that can be queried to identify the filing of fraudulent claims against multiple states, discontinue auto-populating any data in their systems, and require UI claimants to fill out all employer contact information correctly and completely. Additionally, ETA needs to work with states to strengthen existing systematic audit controls to track access to personally identifiable information, and to identify and implement best practices and strategies for communication between tax operations and benefit operations.

The Department needs to continue developing the technology and analytic tools (e.g., models) to enhance its FECA improper payment estimation methodology.

Finally, the Department needs to continue working with OMB to properly classify the individual grant programs authorized under the newly enacted Workforce Innovation and Opportunity Act. Since data are not readily available to allow the Department to develop a statistically valid improper payments estimate by directly sampling grant payments, the Department needs to consider other sampling methods. Further, the Department needs to provide full disclosure in the Agency Financial Report regarding the limitations of the data used to estimate overpayments.

Summary of Financial Statement Audit and Management Assurances

The following tables provide a summary of the Department's FY 2015 financial statement audit and its management assurances.

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Lack of Sufficient IT Controls over Key Financial Support Systems	0	1	0	0	1
Total Material Weaknesses	0	1	0	0	1

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
1. System Requirements	No lack of substantial compliance noted			No lack of substantial compliance noted		
2. Accounting Standards	No lack of substantial compliance noted			No lack of substantial compliance noted		
3. USSGL at Transaction Level	No lack of substantial compliance noted			No lack of substantial compliance noted		

Improper Payments Reporting Details

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA),[1] requires federal agencies to identify and reduce improper payments and report annually on their efforts according to guidance promulgated by the Office of Management and Budget in OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*.

Details for each program are provided in the following sections based on the format prescribed by OMB Circular A-136 Section II.5.8.

I. Risk Assessments

> *All agencies must assess the IP risk level for each program that is not already reporting an IP estimate at least once every three years (See OMB Circular A-123, Appendix C for additional guidance related to risk assessments). All programs that are assessed for risk in a given year should be listed in this section. In addition, clearly identify the risk-susceptible programs (i.e., programs that are susceptible to significant IPs based on statutory thresholds listed in OMB Circular A-123, Appendix C, Part 1.A.9.Step 1) identified by the agency risk assessments performed in the fiscal year or required by OMB to be included (OMB may determine, on a case-by-case basis, that certain programs that do not meet the statutory threshold requirements may still be subject to the annual reporting requirements). For the newly identified risk-susceptible programs indicate the fiscal year in which a rate and amount will be reported (per OMB Circular A-123, Appendix C, Part I.A.9.Step 2 footnote 8 this should be the fiscal year following the year in which the risk assessment was conducted). Agencies should briefly describe all of the risk assessment(s) performed in the fiscal year (the risk factors examined should be included in the description).Highlight any changes to the risk assessment methodology or results that occurred since the last AFR or PAR.*

IPIA Section 2(a) requires agency heads to review all programs to identify risk susceptibility for improper payments (IP) every three years. The last Department-wide risk assessment was performed in FY 2014. Results for risk assessments of programs authorized by the Workforce Innovation and Opportunity Act (WIOA) of 2014 (see explanation below) are incomplete at the time of publication of this report but are anticipated to be available for FY 2016 reporting. No other programs were found to have experienced material changes requiring a review of previous risk assessments.

Susceptible to Significant Improper Payments: Based on DOL's FY 2014 department-wide risk assessment, two DOL Programs, the Unemployment Insurance (UI) and the Federal Employees' Compensation Act (FECA) benefit programs, are required to provide estimates based on the susceptibility threshold in statute[2]:

- Either potential estimated IP greater than 1.5% of outlays and greater than $10 million, or
- Potential estimated IP of more than $100 million, regardless of percentage.

Payment integrity information/plans for UI and FECA can be found at:

- UI – http://www.oui.doleta.gov/unemploy/improp_pay.asp
- FECA – http://www.dol.gov/ocfo/media/reports/20141104IPMETHODOLOGY.pdf

Other Programs Required to Report Improper Payments: One DOL program area, the Workforce Investment Act (WIA) of 1998 Title I programs (WIA Programs), provides estimates based on inclusion in Exhibit 57B, Section 57, of OMB Circular A-11 (2002)[3]. Although Section 57 was rescinded in 2003, these programs have continued to provide IP information beyond that which is required by IPIA.

[1] IPIA, Public Law (P.L.) 107-300 (2002); IPERA, P.L. 111-204 (2010); and IPERIA, P.L. 112-248 (2013) are codified at 31 U.S.C. 3321 note.

[2] IPERA §2(a)(3)(A)(II)(ii)

[3] In July 2001, OMB issued Section 57, *Information on Erroneous Payments*, as part of the 2002 revision to Circular A-11, *Preparation, Submission, and Execution of the Budget*. Exhibit 57B of Section 57 listed programs required ". . . to provide improper payment data, assessments, and action plans with initial budget submission beginning in 2003." All "benefit programs" exceeding obligations of $2 billion were included on Exhibit 57B.

On July 22, 2014, the President signed the Workforce Innovation and Opportunity Act (WIOA) into law. WIOA rescinded the Workforce Investment Act of 1998. Funding for programs under WIA ended on June 30, 2015. The new law strengthened internal controls and performance standards for all newly authorized programs. The Department remains strongly committed to finding new ways to combat IP for all new DOL programs authorized under WIOA. The Department is in the process of conducting risk assessments to determine if these new programs exceed the statutory thresholds for IP reporting.

DOL is also required to report an IP estimate for funds provided in response to Hurricane Sandy through the Disaster Relief Appropriations Act (Public Law 113-2), signed on January 29, 2013. Section 904(b) of the Act provides that all programs and activities receiving funds under this Act shall be deemed to be "susceptible to significant IP" for the purposes of IPIA, notwithstanding IPIA section 2(a).

Program Integrity Overviews: The following provides an overview of payment integrity environments for all programs reporting.

Unemployment Insurance Program:

The Federal-state unemployment insurance (UI) program, established by the Social Security Act of 1935, is a unique Federal-state partnership, based on Federal law but administered by state employees under state law. The program is designed to provide benefits to most individuals who are out of work, generally through no fault of their own, for periods between jobs. In order to be eligible for benefits, jobless workers must demonstrate workforce attachment, usually measured by amount of wages and/or weeks of work, and must be able and available for work and actively searching for work.

States also administer two federal unemployment compensation programs – Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-service members (UCX). The states also administer an Extended Benefits (EB) program in times of significant unemployment when the unemployment rate triggers for EB are met. In addition, Congress periodically enacts temporary episodic programs in times of recession, such as the Emergency Unemployment Compensation (EUC) program during the most recent recession and its aftermath.

Section 303(a)(1), Social Security Act, requires, as a condition for a state to receive administrative grants for its UI program, that the law of the state provide for "such methods of administration … as are found by the Secretary of Labor to be reasonably calculated to insure full payment of unemployment compensation when due." Section 303(a)(1) has also been interpreted to mean that states must have "methods of administration" to ensure that eligible claimants are paid UI benefits promptly when determined eligible and to ensure claimants who are not eligible are not paid. In addition, states must have methods of administration to protect against improper payments and fraud. This federal-state partnership structure makes UI unique among the nation's social insurance programs, and program integrity depends almost entirely on actions by the states.

The combination of the requirement to pay "when due" and the complexity of managing a large program with eligibility rules and administrative resources that vary by state create a complex environment for states to ensure program integrity. As such, the Department uses targeted strategies to work with states across many fronts including integrity performance measures, monitoring and oversight, facilitating the development of information technology systems, employer and claimant communication tool-kits, legislation, a platform to share best practices, targeted technical assistance and supplemental funding for state program integrity related activities.

The UI program's program integrity efforts pre-date the IPIA. The Department's comprehensive strategic plan focuses on state strategies that address specific root causes of improper payments. The plan is continuously evolving as new strategies are identified and the progress with each strategy in this plan is regularly monitored. These strategies target the three largest root causes of UI improper payments:

- Payments to individuals who continue to claim benefits after they have returned to work (Benefit Year Earnings);
- Failure of claimants to comply with the state's work search requirements (Work Search).

- Failure of employers or their third party administrators to provide timely and adequate information on the reason for an individual's separation from employment (Separation); and

Under the Department's guidance, each state's Benefit Payment Control (BPC) unit is responsible for ensuring UI program integrity through prevention, detection, investigation, establishment, and recovery of improper payments. Every state conducts post-award reviews for the prevention and detection of UI improper payments to determine whether error or willful misrepresentation has occurred. An additional tool, the Benefit Accuracy Measurement (BAM), is a statistical survey created in the 1980s as a quality control and improper payment estimation tool. For details on the BAM program, please see the **section II. Statistical Sampling: UI**.

The UI program uses both the BPC and BAM program results to support the state's efforts to continuously monitor and improve prevention, detection and recovery of improper payments. The results from both BPC and BAM help the Department to assess the progress made by the states and provide targeted technical assistance and support.

Benefit outlays for all UI programs decreased in FY 2015 to $32.9 billion from the $48.41 billion paid in FY 2014. This decrease reflects the decline in the number of new claims, the discontinuance of the Federally-funded Emergency Unemployment Compensation (EUC) program, and the absence of states meeting the trigger thresholds required to pay Extended Benefits (EB).

Federal Employees' Compensation Act Program:

The Federal Employees' Compensation Act provides workers' compensation coverage to approximately three million federal and postal workers around the world for employment-related injuries and occupational diseases. The Office of Workers' Compensation Programs and its Division of Federal Employees' Compensation (DFEC) have responsibility for administering the Act through twelve district offices and national office staff. DFEC adjudicates new claims for benefits and manages ongoing cases; pays medical expenses and compensation benefits to injured workers and survivors; and helps injured employees return to work when they are medically able to do so.

The FECA program operates on a Chargeback year that runs from July 1st through June 30th. Approximately 8.79 million FECA payments totaling $2,987,192,145 were attributable to Chargeback Year 2015 (CBY 2015). These totals reflect two basic types of FECA benefit payments: "compensation" and "medical" payments.

- Compensation payments are those made to replace lost wages for a work related injury, benefits for a permanent physical impairment due to those injuries, as well as benefits to beneficiaries of federal employees that die as a result of a work-related injury.
- Medical payments are made to cover the expenses of medical services, equipment and supplies incurred from treatment for illness and/or injury sustained while an employee was engaged in job-related activities.

In CBY 2015, medical payments accounted for 90.7% of all FECA payments; the remaining 9.3% were compensation payments. By contrast, the total amount of compensation payments was about $1.92 billion (about 64%), whereas the total amount of medical payments was $1.07 billion (about 36%).

Workforce Investment Act Programs:

The stated intent of the Workforce Investment Act (WIA) of 1998 and the objective of its multiple programs is "to consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs in the United States" through grants to state agencies. It is important to note that WIA was composed of multiple programs which are **not** entitlement programs – government programs that "provide individuals with personal financial benefits to which an indefinite number of potential beneficiaries have a legal right...whenever they meet eligibility conditions specified by the standing law that authorizes the program."[1] WIA funds are awarded to states based on a complex statutory formula, driven by unemployment rates and other economic factors—not by the number of "participants." Governors then allocate those limited funds through the nation's workforce development system, which was established by WIA.

[1] "A Glossary of Political Economic Terms," Paul M. Johnson, Ph.D., Auburn University 1994-2005.

The “core” of WIA is Title I – Workforce Investment Systems, which authorized funding to be provided through three separate programs: Adult, Dislocated Worker and Youth Programs. These programs primarily provide grant funds to states, which, in turn, award the majority of funds to state and local Workforce Investment Boards (WIBs), which award sub-grants or contracts to American Job Centers (previously known as One-Stop Centers) and eligible non-profit service providers, such as Community Colleges, local school districts, or charities.

On July 22, 2014 President Obama signed the Workforce Innovation and Opportunity Act (WIOA) into law. WIOA supersedes the Workforce Investment Act of 1998 and amends the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act of 1973. Funding under WIA ended on June 30, 2015. FY 2015 will be the last year for improper payments reporting for rescinded WIA-authorized programs.

The complex funding stream and governance structure for WIA grant dollars when assessing the risk of improper payments is an important consideration for effective risk analysis. While WIA is often referred to as one program, in actuality, the former law authorized nearly a dozen different programs. The “core” WIA programs correspond to three distinct funding streams: Adult, Dislocated Workers, and Youth, each of which has different objectives and eligibility requirements.

In FY 2015, the estimated rate of improper payments of WIA programs was approximately 0.88%. Applied to FY 2015 outlays of $2.53 billion, the estimated dollar amount is approximately $22.26 million.

The Department’s FY 2014 AFR provides a detailed description of all WIA-related programs and risk assessment methodology. However, DOL believes this rate is significantly overestimated, as explained in **section II. Statistical Sampling: WIA**.

Factors Contributing to a Low Risk Environment: Several conditions inherent to the structure of the WIA Programs create a scenario where improper payments are highly unlikely.

- Individuals do not receive cash payments – they receive services delivered through government agencies and/or selected training providers.
- Training providers are screened, approved, and subject to strict performance measures.

ETA has a well-established control environment to communicate requirements and monitor grantees as described further in **section II. Statistical Sampling: WIA**.

Hurricane Sandy Funds Provided by the Disaster Relief Appropriations Act of 2013:

On January 29, 2013, the President signed into law the Disaster Relief Appropriations Act, Public Law 113-2 (127 Stat. 4), which provided $50.5 billion in aid for Hurricane Sandy disaster victims and their communities. The Act requires Federal agencies supporting Sandy recovery and other disaster-related activities to implement additional internal controls to prevent waste, fraud, and abuse of these funds. DOL submitted its internal control plan on March 31, 2013, to OMB, GAO and the Department’s OIG in accordance with OMB Memorandum M-13-07 “Accountability for Funds Provided by the Disaster Relief Appropriations Act,” issued March 12, 2013.

Similar to The Recovery Act, the Department collaborated with OIG to minimize risk of waste, fraud and abuse of Hurricane Sandy recovery funds. These programs and the risk assessment process are reported in detail in the Department’s FY 2014 AFR.

Certain factors contribute to a low-risk environment for Sandy recovery funds:

- “Recipients” are actually providing clean-up and recovery services. They do not receive “benefits”, rather they receive a salary (typically minimum wage) for their services.
- Municipalities oversee grants and contracts and must comply with additional compliance mandates for Hurricane Sandy accountability.

There were no Hurricane Sandy related funds outlayed by the Department in FY 2015. Therefor this is anticipated to be the final IPIA reporting on these programs.

ETA National Emergency Grants: ETA provided $70.3 million in National Emergency Grants (NEGs) to New York, New Jersey, Connecticut, West Virginia, and Rhode Island for continuing cleanup and recovery efforts. This included $20.5 million provided by the Disaster Relief Appropriation Act of 2013 and $49.8 million provided by ETA's WIA Dislocated Worker National Reserve (DWNR), which funds NEGs.

ETA grantees expended the last NEG funding in September 2014. Hence, there is no reporting for FY 2015.

OSHA: Most of OSHA's funding was used to conduct inspections. In addition, OSHA provided $1.25 million in Susan Harwood Training Grants (CFDA 17.502) to five grantees for training in mitigating workplace hazards in a disaster area. The complete list of grantees with amounts and grant requirements can be found at this link: https://www.osha.gov/dte/sharwood/2013_Disaster_Relief_Grant_Abstracts.html

DOL used the same methodology to analyze those grantees. OSHA expended its final Hurricane Sandy related funds in FY 2014. Hence, there is no reporting for FY 2015.

WHD: WHD expended its final Hurricane Sandy relief funds in February 2014. Hence, there is no reporting for FY 2015.

II. Statistical Sampling

Any agency that has programs or activities that are susceptible to significant IPs based on statutory thresholds listed in OMB Circular A-123, Appendix C, Part 1.A.9.Step 1 and are reporting an IP rate under section III below, shall briefly describe the statistical sampling process conducted to estimate the IP rate for each program identified as being susceptible to significant IPs. Agencies that were granted OMB approval to use an alternative sampling and estimation methodology must also include the justification for using the alternative methodology (i.e. explain why the agency was not able to follow the requirements in OMB Circular A-123, Appendix C Part 1.A.9.Step 2). In addition, briefly highlight any changes to any sampling and estimation plans that have occurred since the last AFR or PAR.

In consultation with OMB and the DOL OIG, the Department developed statistical sampling processes conducted to estimate the IP rate for each program identified as being susceptible to significant IPs: UI and FECA. WIA-authorized and Hurricane Sandy related program methodologies are also included for reporting in this section. These methodologies vary by program and are described in detail in the program-specific narratives below.

Unemployment Insurance Program:

UI Improper payment estimates are based on results of the BAM survey, described in detail below, which examines a nationally statistically valid sample of payments from the State UI, UCFE, and UCX programs (the three largest permanently authorized unemployment compensation (UC) programs), but does not include EUC and EB payments. For purposes of reporting payment accuracy data, the estimated improper payment rates are assumed be generalizable to the EUC and EB programs, although those programs are not directly measured by the BAM survey. BAM investigators in each state conduct comprehensive audits for randomly-selected weekly samples of paid and denied claims. The population includes paid and denied claims under the State UI, UCFE, and UCX programs.

UI overpayment and underpayment rates for FY 2015 are shown in **Table 1** below, and are for the period July 1, 2014 to June 30, 2015. Data are reported for this period rather than the fiscal year due to the 120 day period provided to state BAM investigators to complete claim audits following the end of the quarter. For the period July 1, 2014 to June 30, 2015, state agencies completed audits for 23,590 paid claims cases, a completion rate of 99.996%. For the FY 2015 reporting, the estimated UI Improper Payment rate consisted of all overpayments plus underpayments.

Federal Employees' Compensation Act Program:

DOL's Office of Workers' Compensation Programs (OWCP) consulted with Office of the Chief Financial Officer (OCFO) to develop a sampling methodology and approach to improper payment calculation for the FECA program. OWCP also consulted with the DOL OIG to determine a methodology for estimating fraud that could be added to the improper payment rate estimate. Ultimately this two part approach was approved by OMB in FY 2014.

The improper payment rate component for non-fraudulent FECA payments was derived by random sampling with replacement. The sample sizes used (504 compensation payments and 504 medical payments, for a total of 1,008 payments) were selected and validated by the OWCP statistician to assure a 90% confidence interval with a precision of 2.5%. Each sampled payment was closely examined in accordance with the law and program standards to determine whether or not it was proper. The absolute value of any IP found in the sample were totaled and projected to a dollar amount that represents the improper payment rate for the entire population.

The FECA improper payments estimation methodology excluded initial payments made in the first 90 days of a compensation claim and payments made on claims initiated prior to November 2000 that had not been imaged and stored electronically in OWCP's Integrated Federal Employees Compensation System (iFECS) system. The Department is dedicated to ensuring beneficiaries receive the benefits they are entitled to in a timely manner, including these payments in a review would hinder timely payment to injured workers and would not be cost effective. Additionally, OWCP has concluded that pursuing information on non-imaged (pre-November 2000) cases would not be cost effective, nor would it provide a significant benefit to sample this steadily diminishing population.

The estimate of fraudulent payments is based on actual restitution amounts and therefore did not reflect an estimate of undetected fraud. In the Congressional Budget Office's (CBO) report entitled "How Initiatives to Reduce Fraud in Federal Health Care Programs Affect the Budget" (10/2014), CBO found "...*although fraud that has been successfully prosecuted can be quantified, there is no reliable method to estimate the amount of fraud that goes undetected*...". Given the unreliability of such an estimate, OWCP has concluded that the most appropriate use of limited resources is to focus on using data analytics to understand the types of IP, and to look for correlations and anomalies in order to understand causes and potential remedies.

The Department's methodology for estimating IP in the FECA program may be found at:
http://www.dol.gov/ocfo/media/reports/20141104IPMETHODOLOGY.pdf.

Workforce Investment Act Programs:

The WIA grant program's funding stream and structure make it extremely difficult to directly sample grant payments and develop an all-encompassing statistically valid estimate of improper payments for several reasons:

- The majority of funding is disbursed to states through formula grants (amounts set by statutory formulae based on economic conditions), which are then passed through to thousands of recipients, including local Workforce Investment Boards, non-profit entities, local governments or educational institutions located across the country.
- With the multitude of different types of service providers, the differences in state and local administration and the many different eligibility requirements for each program authorized by WIA, developing a statistically valid, generalizable measurement is next to impossible.
- Financial records and other documentation supporting WIA outlays at the state level and lower tiers are located at the grantee and sub-grantee locations rather than at the DOL National Office.
- Since no direct cash payments go to individuals, and participants are not legally entitled to a specific amount of financial "benefit," it is unclear what scenario or scenarios would constitute an "improper payment."

DOL determined that it would not be cost effective to evaluate a completely statistically valid nationwide sample of WIA grantees and sub-grantees each year and perform detailed reviews focused on measuring the nationwide WIA improper payment rate. However, the Department continues to consider methods for improving its methodology for estimating the rate. The detailed Methodology for estimating WIA-related program IP rates is reported in the Department's FY 2014 AFR.

The most effective means to gathering integrity data for grant programs is the use of reports required by the Single Audit Act of 1984, as amended in 1996. The Act and its implementing guidance, OMB Circular A-133, established uniform audit requirements for states, local governments, Indian Tribes, and non-profit organizations. All non-Federal entities that are subject to a Single Audit Act audit are required to submit summary level results from their audits and a copy of the audit report to the Federal Audit Clearinghouse (FAC), which is administered by the Census Bureau and operates on behalf of the OMB. The FAC is a central repository of information on all Single Audits conducted each fiscal year. While the use of Single Audits has limitations due to the nature of Single Audits, it is still a good representation of a statistical analytically prepared estimate for these programs.

Estimated Improper Payment Rate Calculation: The FY 2015 estimated improper payment rate for WIA Title I programs was calculated based on the probability of eligibility findings in Single Audit Reports. However, due to cyberattack, the FAC website was non-operational during the FY 2015 reporting period. Using backup CFDA data, DOL was able to complete the OMB accepted estimation Methodology, with the exception of manually reviewing audit reports to remove duplicate eligibility findings. Without this data it is impossible to cull duplicate eligibility findings. Therefore, the Department has estimated the rate reported in **Table 1** significanlty overstates the actual rate.

Hurricane Sandy Funds Provided by the Disaster Relief Appropriations Act of 2013:

The Department uses an alternative sampling methodology for Hurricane Sandy that is a methodology that was previously approved for DOL's WIA-related programs. The Sandy methodology was submitted to OMB for approval. A detailed explanation of this methodology was reported in the Department's FY 2014 AFR.

The Department recorded final outlays on all Hurricane Sandy related funds in FY 2014. Hence, there is no reporting for FY 2015.

III. Improper Payments Reporting

The table that follows (Table 1) is required for each agency that has programs and activities reporting under OMB Circular A-123 Appendix C Part I.A.9.Step 2 or Part I.A.14 or for programs that OMB has automatically deemed susceptible to significant IPs (please see footnote 8 under Part I.A.9.Step 2 for reporting timing expectations) regardless of whether the program or activity has IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1.v.

Table 1 below provides a breakdown of estimated IP and an outlook for IP reductions for each DOL program or activity reporting under OMB Circular A-123, Appendix C, Part I.A.9.Step 2 or Part I.A.14 or for programs that OMB automatically deemed susceptible to significant IPs.

Table 1: Improper Payments Reduction Outlook ($ in millions)

Program or Activity	FY14 Outlays	FY14 IP %	FY14 IP $	FY15 Outlays	FY15 IP %	FY15 IP $	FY15 Overpayments $	FY15 Underpayments $	FY16 Estimated Outlays	FY16 Estimated IP %	FY16 Estimated IP $	FY17 Estimated Outlays	FY17 Estimated IP %	FY17 Estimated IP $	FY18 Estimated Outlays	FY18 Estimated IP %	FY18 Estimated IP $
Unemployment Insurance (UI) [1]	$48,411.88	11.57%	$5,604.16	$32,895.31	10.73%	$3,530.16	$3,384.10	$146.06	$35,701.00	10.63%	$3,795.07	$36,010.00	10.53%	$3,791.00	$37,057.00	10.43%	$3,865.00
Federal Employees' Compensation Act (FECA) [2]	$2,894.37	2.50%	$72.36	$2,987.19	2.87%	$85.73	$81.22	$4.51	$3,061.87	2.50%	$76.55	$3,138.42	2.25%	$70.61	$3,216.88	2.00%	$64.34
Workforce Investment Act (WIA) Title I Programs [3]	$2,478.00	0.37%	$9.20	$2,530.00	0.88%	$22.26	$22.26	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hurricane Sandy Funds Provided by the Disaster Relief Appropriations Act of 2013 [4]	$21.04	0.11%	$0.02	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL [5]	**$53,805.29**	**10.57%**	**$5,685.74**	**$38,412.50**	**9.47%**	**$3,638.15**	**$3,487.58**	**$150.57**	**$38,762.87**	**9.99%**	**$3,871.57**	**$38,716.62**	**9.97%**	**$3,861.61**	**$40,273.88**	**9.76%**	**$3,929.34**

Note: [1] Current UI data is for 12-month ending June 30, 2015. [2] The FECA program operates on a Chargeback year (CBY) that runs from July 1st through June 30th. [3] WIA funding ended as of FY 2015. [4] DOL recorded final Hurricane Sandy related outlays in FY 2014. [5] Totals do not represent a true statistical estimate.

High Priority Program Supplemental Measure Info – Unemployment Insurance Program:

In addition to the Improper Payment rate required by IPERA, the Department has also implemented supplemental measures as required by Executive Order 13520. These supplemental measures, developed in consultation with OMB for the FY 2014 reporting period, are important metrics that provide additional insight into root causes and possible corrective actions. The current supplemental measures are:

- The IP rate excluding recoveries (previously known as "net improper payment" rate), which subtracts recoveries from the IP rate; and
- The IP rate excluding work search, which subtracts IP due to work search errors.

These supplemental measures are tracked and reported on www.PaymentAccuracy.gov within 120 days after completion of a quarter. Both supplemental measures use the estimated overpayment and underpayment rate from BAM survey data. Monitoring and reporting on the "net improper payment" rate is a positive incentive for states to improve IP recoveries. States making progress on both reducing overpayments and increasing recoveries will realize significant reductions in the "net improper payment" rate and will have achieved considerable improvement in efficient use of UI trust fund dollars.

- The IP rate excluding recoveries is defined as total overpayments plus total underpayments minus the amount of overpayments recovered by state workforce agencies. This supplemental measure includes both the overpayment and underpayment rates for all causes, but excludes payments determined to be technically proper under state UI law. The net improper payment rate includes two components – "IP", which will continue to be estimated from BAM, and "overpayments recoveries", which are based on actual amounts reported by the state workforce agencies on the ETA 227 Overpayment Detection and Recovery report.
- The improper payment rate excluding work search as a supplemental measure allows for the review of improper payment rates without the influence of work search errors. During the recent quarters, work search errors are driving much of the increase in the improper payment rate as states have implemented stricter work search requirements. There are no effective strategies that states can employ other than messaging to prevent work search errors. Generally, they can only be detected after the fact, which does not help bring down the improper payment rate. In addition, states have limited resources to conduct work search audits outside of BAM. Since there are a multitude of challenges identifying realistic strategies to bring down the work search component of the overall improper payment rate, tracking the improper payment rate excluding the work search rate recognizes the inability of states to actively prevent these improper payments and help assess progress made on the other root causes.

The supplemental improper payment rate excluding work search consists of all overpayments minus work search overpayments plus total underpayments. This supplemental measure includes the overpayment and underpayment rates for all causes except work search related errors. Both the overpayment and underpayment rates exclude payments determined to be technically proper under state UI law.

Table 1.1 -UI: UI Improper Payment Reduction Outlook FY 2014 – FY 2018 ($ in millions)

	FY 2014		FY 2015		FY 2016 (Targets)		FY 2017 (Targets)		FY 2018 (Targets)	
	Est. IP%	Est. IP$	Est. IP%	Est. IP$	Est. IP%	Est. IP$	Est. IP%	Est. IP$	Est. IP%	Est. IP$
Improper Payment Rate minus Recoveries	8.65%	$4,188.00	7.28%	$2,393.00	7.18%	$2,563.00	7.08%	$2,550.00	6.98%	$2,587.00
Improper Payment Rate minus Work Search Errors	7.85%	$3,798.00	7.95%	$2,616.00	7.85%	$2,803.00	7.75%	$2,791.00	7.65%	$2,835.00

The Department reports these supplemental measures quarterly for publication on the Department of the Treasury Payment Accuracy Web site at: http://www.paymentaccuracy.gov/.

IV. Improper Payment Root Cause Categories

The table that follows (Table 2) is required for each agency that has programs and activities reporting under OMB Circular A 123 Appendix C Part I.A.9.Step 2 or Part I.A.14 regardless of whether the program or activity has IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1.

Table 2: Improper Payment Root Cause Category Matrix ($ in millions)

Reason for Improper Payment		UI		FECA		WIA	
		Overpayments	Underpayments	Overpayments	Underpayments	Overpayments	Underpayments
Program Design or Structural Issue		TBD [1]	TBD [1]				
Inability to Authenticate Eligibility		$2,772.83	$113.54	$11.94	$0.00		
Failure to Verify	Excluded Party						
Failure to Verify	Death Data						
Failure to Verify	Financial Data						
Failure to Verify	Prisoner Data						
Failure to Verify	Other Eligibility Data	$223.45	$10.36	$59.27	$0.00		
Administrative or Process Error Made by:	Federal Agency			$6.69	$3.85		
Administrative or Process Error Made by:	State or Local Agency	$211.00	$17.99	N/A	N/A	$22.26	
Administrative or Process Error Made by:	Other Party[2]			$0.48	$0.66		
Medical Necessity							
Insufficient Documentation to Determine							
Other: [3]		$176.82	$4.17				
Other: [4]				$2.84			
Total		**$3,384.10**	**$146.06**	**$81.22**	**$4.51**	**$22.26**	

Notes: [1] UI is conducting a study to examine, quantify, and better understand program and legal requirements which may create IP that states are unable to control. [2] "Other Party" for DFEC refers to administrative error by other Federal employing agencies. [3] Improper payment had been identified and the state agency was in the process of taking corrective action at the time of the BAM sample selection. [4] Indicates OIG fraud restitution average as explained in section VII. Accountability below.

Unemployment Insurance Program:

The Improper Payment Root Cause Category Matrix identified in **Table 2** does not align precisely with the way the UI program classifies root causes. Additionally, the categories presented in **Table 2** overlap between the root causes and responsibilities for the payment errors which make it difficult to describe corrective actions for each improper payment category as presented in **Table 2**. The discussion below attempts to clarify for the reader the intricacies of the UI program.

Program Design or Structural Issue: ETA believes that a significant portion of the program's IP may be categorized under this root cause. Among the errors included in this category are payments made following an initial eligibility determination where all the information was unavailable; work search errors which cannot be prevented and can only be detected after the fact; and payments that may go undetected due to a lag in data availability - such as the National Directory of New Hires (NDNH) data. To enable a reliable estimate of the program design and structural impacts, UI is conducting a study to examine, quantify, and better understand program and legal requirements which may create IP that states are unable to control.

Inability to Authenticate Eligibility: In order to receive a weekly benefit payment, a claimant must retroactively certify that they have met a myriad of eligibility conditions for the benefit week for which they request payment. Much of this information can only be authenticated with an employer or other third parties who do not participate in the weekly certification process.

Similar to the structural issues discussed above, this section includes errors where the state agency followed official procedures and necessary forms were fully completed but a payment issue was not detectable by normal procedures at the time of payment. These errors may be due to the claimant providing inadequate or inaccurate information and/or no income verification sources to authenticate the claimant's eligibility to prevent the improper payment. Examples include: inadequate time to verify the work search activities provided by the claimant with the employer listed as a contact, income data such as the NDNH information to verify whether or not that the claimant has returned to employment, and/or the employer failing to respond to the agency's request for separation information.

Failure to Verify: This section includes errors where the state agency had sufficient documentation to identify that there was a payment issue but did not resolve the issue. Examples include: failure by the state agency to verify or follow-up to determine whether the claimant returned to work after receiving a NDNH cross-match hit, follow-up adequately with the employer regarding an incomplete response to a separation request, and/or not verifying work search activities/contacts provided by the claimant.

Administrative or Process Errors: State procedures/forms had not been properly followed/completed thereby precluding ability to detect the payment issue; or state agency provided incorrect information or instructions. Examples include: failure by the state agency to verify whether the claimant returned to work using a NDNH cross-match or other income verification sources, not requesting separation information from an employer, and/or not requesting work search activities/contacts from a claimant or requesting work search verification from an employer.

Other Reason: Improper payment had been identified and the state agency was in the process of taking corrective action at the time of the BAM sample selection.

V. Corrective Actions

> *For all programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1, agencies shall identify the reasons their programs and activities are susceptible to significant IPs and put in place a corrective action plan to reduce them.*

DOL has identified the root causes for IPs in all programs and activities listed in **Table 2** above and has developed comprehensive corrective action plans to reduce them. These corrective action plans vary by program and a high-level review of these plans is described in the program-specific narratives below.

Unemployment Insurance Program:

In response to the level of IP in the UI program, the Department has developed a comprehensive and continuously evolving Strategic Plan to address several root causes of IP. A high level summary of the Strategic Plan is available at: http://www.dol.gov/dol/maps/Strategies.htm. The Strategic Plan was designed to specifically target UI program root causes prior to the generalized Federal root cause categories addressed in **Table 2** above. The UI program specific root cause corrective actions detailed below overlap multiple generalized Federal categories.

Table 2.1 - UI reflects supplemental information on how the Department classifies the root causes of UI overpayments.

Table 2.1 - UI: Root Causes of UI Overpayments ($ in millions)

	% of Overpayments (2015 IPIA Rate)
Benefit Year Earnings (continuing to claim benefits after returning to work)	33.27%
Work Search (failure to actively seek employment)	29.41%
Separation (ineligible due to voluntarily quitting or discharge for cause)	18.52%
Able and Available (Ineligible due to not being able to work or available for work)	5.95%
Base Period Wages (Error in calculating claimant's benefit based on wages earned prior to period of unemployment)	4.42%
Employer Service Registration (failing to register for referral to work or reemployment services)	1.61%
Other Eligibility Issues (refusal of work, self-employment, failure to report for agency review or report requested information, citizenship status, and claiming benefits using a false identity)	2.35%
All Other Issues (adjustments to dependents' allowance, adjustments to benefits due to claimant receipt of income from severance pay, vacation pay, Social Security, or employer pension, back pay awards, payment during a period of disqualification, or agency redetermination of eligibility)	4.47%

The Department actively works with the states[1] to reduce IP. All states have been called to action to ensure that UI integrity is a top priority and to develop state-specific strategies to bring down the overpayment rate. Specific attention and assistance has been given to those states with a high IP rate.

DOL has provided states with supplemental funding to implement strategies and technology-based infrastructure investments that will help the states prevent, detect, and recover UI overpayments. These grants demonstrate DOL's commitment to the development of integrity-related systems focused on the proper payment of UI benefits. These improvements can result in significant savings of staff costs for integrity-related activities, increased dollar amounts of overpayments recovered, and prevention of future overpayments.

Between FY 2005 and FY 2014, DOL provided approximately $330 million to states in supplemental funding for integrity-related projects. Additionally, between FY 2009 and FY 2014, approximately $360.4 million in supplemental funding was provided to state consortia to address outdated IT system infrastructure, which is necessary to improve UI integrity. Please see **section VIII. Agency Information Systems and Other Infrastructure: UI** for information on the state consortia.

In June 2015, DOL provided $80 million to 47 state workforce agencies to provide UI claimants with improved reemployment services and reemployment eligibility assessments. Additionally, in September 2015, DOL awarded $39.3 million in supplemental funding to 44 state workforce agencies for the prevention, detection, and recovery of improper UI benefit payments; to improve state performance; to address outdated IT system infrastructures necessary to improve UI program integrity; and implement projects to reduce worker misclassification.

Reducing Improper Payments in the UI Programs: Each state Benefit Payment Control (BPC) unit conducts post-award audits for the prevention and detection of UI improper payments on benefit payments and to determine whether error or willful misrepresentation has occurred.

These activities are conducted through the use of automated tools and procedures that confirm the identity and legal status of the claimants, search for unreported earnings, and detect other forms of fraud or errors contributing to IP in the UI program.

State agencies also maintain the integrity of UI and reduce IP by ensuring that employers contribute their fair share of taxes and facilitate the return to work of UI claimants.

As noted above, the Improper Payment Root Cause Category Matrix identified in **Table 2** does not align precisely with the way the UI program classifies root causes. Below are descriptions of national strategies underway to address the top root causes of UI IP:

Benefit Year Earnings (BYE) Strategies: In order to address this root cause, it is critical to ensure that claimants understand their responsibility to report when they return to work and for states to identify as quickly as possible that the claimant has returned to work. The strategies to accomplish these purposes include:

- Improved cross-matching against the NDNH and the immediate notification of claimants that the state agency is aware they may have returned to work while still claiming benefits. As of December 2012, all states except California are using NDNH for their BPC operations.
- Targeted technical assistance and monitoring for states with high BYE error rates, including review of the state's implementation of NDNH cross-matching and providing assistance to identify and implement strategies to address this root cause in the Integrity Action Plan submitted as part of the FY 2016 State Quality Service Plan (SQSP) submission. This technical assistance is complete as of September 2015, with monitoring planned to continue through the 4th quarter of FY 2016.
- Promotion of messaging tools that are designed to improve claimant and employer understanding of, and compliance with, the established rules and procedures related to UI claims. In March 2012, DOL published a UI Program Letter announcing the availability of Claimant and Employer Messaging Toolkit containing products and tools designed to support these state messaging campaigns. As of March 2013, all states have

[1] For the purposes of UI program reporting, "states" refer to the 50 states and the territories of District of Columbia, Puerto Rico, and the Virgin Islands.

implemented their own state-specific claimant and employer messaging campaigns using at least one tool from the Toolkit. Additional information on the toolkit is available at: http://www.dol.gov/dol/maps/tools.htm

- Supporting state implementation of the Treasury Offset Program (TOP) that permits states to recover certain unemployment compensation debts due to fraud and certain non-fraud overpayments through Federal income tax refund offsets. As of September 2015, a total of 44 states have implemented TOP, with five additional states in various stages of implementation. Two other states received TOP implementation funding in FY 2015 and are beginning the implementation process. These two funded states are working toward implementation by the 4th quarter of FY 2016.
- ETA continues to pursue new data sources to determine when claimants have returned to work, including the use of the use of financial institutions' payroll deposit information as well as employer payroll data. This effort is ongoing and is due for completion in the 4th quarter of FY 2017.

Separation Strategies: The goal of these strategies is to improve timeliness and accuracy of information received from employers to make eligibility determinations specifically on the reason for a UI claimant's separation from employment.

- Expand state and employer adoption and usage of the State Information Data Exchange System (SIDES), a system that enables the electronic communication of separation and other UI information between employers and State Workforce Agencies (SWAs). DOL provided funding for SIDES implementation to 51 state workforce agencies. As of September 2015, 47 states have implemented SIDES, and three additional states are in various stages of SIDES programming and testing. One other state received SIDES implementation funding in FY 2015 and is beginning implementation. The funded states are working toward implementation by the 2nd quarter of FY 2017.

Work Search Strategies: Work search requirements vary significantly among states and are among the most difficult to control and costly for states to monitor. The strategies to address these issues include:

- DOL provided supplemental grant funding for New York State to build a new technology tool that incorporates the necessary system linkages between the workforce and UI systems to effectively capture, organize, and share individual UI claimant work search activity information. In December 2013, DOL announced the availability of the tool for states to replicate and that New York is available to provide technical assistance to support its replication.
- DOL is convening a federal/state workgroup of program experts in UI, and employment and training, to re-envision work search requirements in the 21st Century labor market. The workgroup is focused on ensuring that work search activities help claimants get good jobs, meet state eligibility requirements for UI, are verifiable, connect claimants to services provided by the public workforce system, and reflect the way individuals search for work in the current labor market. Actionable strategies developed by the workgroup will be shared across the UI system during FY 2016.

Employment Service (ES) Registration Strategies: These IP are most often the result of information technology system errors that exit a claimant from their required registration with the state employment service or job bank after a period of inactivity. Customized technical assistance was provided to states with the highest error rates for this cause. DOL targeted a 75% reduction of IP due to ES Registration errors from the 2011 baseline rate. As of the 2014 reporting period, the ES Registration error rate was 0.18%, an 83% reduction in the ES Registration error rate. This milestone was completed as of June 2014.

State and Other Engagement Strategies: States administer the UI program and are responsible for its integrity and controlling improper payments. SWAs have been engaged in strategies to address bringing both the individual state and the national improper payment rates into compliance with the 10% threshold established by IPERA. These strategies include:

- Encourage SWAs to convene cross-functional task forces to support the maintenance/enhancement of integrity action plans as part of each SWA's SQSP, which becomes the foundation of states' grant agreement with DOL. As of the 1st quarter of FY 2012, all states had established task forces and DOL continues to encourage states to convene them regularly.

- Continue technical assistance and monitoring to states with persistently high IP rates. Eight "High Priority" states designated in FY 2012 and FY 2013 have achieved an IP rate below 10% and were removed from this designation. In FY 2014 and 2015, the Department identified five new states to receive technical assistance through this strategy.
- In FY 2014, select state UI programs worked with Treasury and Do Not Pay staff to test the use of Do Not Pay services, including a pilot of "The Work Number" directly through Equifax. Due to issues with DNP statutory/legal authority to provide its services to states that administer federally-funded programs, UI access to Do Not Pay was suspended in January 2015.
- Continue development of the successful state-driven UI Integrity Center of Excellence with the goal of promoting the development and implementation of innovative integrity strategies to support all states, including the prevention and detection of fraud, in the UI program. The Center is focused on the following activities:
    - Developing a secure portal to enable rapid exchange of information among states about UI fraud schemes. The initial phase of this portal was launched in May 2014 with information on successful state integrity practices, information about the Center and its deliverables, and ways for states to share integrity practices with the UI community. Enhancements to the portal are expected to launch in the 2nd quarter of FY 2016.
    - Working with its vendor and two states to develop and pilot a data analytics and predictive modeling tool. Following the completion of the pilot, the Center will disseminate information and training on the tool, which will be available to all states across the UI system. This tool is expected to be complete in the 4th quarter of FY 2016.
    - Developing locally adaptable program integrity training for use by the states. Following the completion of the training deliverables, the Center will make the products available to all states across the UI system. This training is expected to be available in the 2nd quarter of FY 2016.
    - Working to establish a data hub for use by SWAs for cross-matching claimant information against relevant data sources to help prevent and detect improper payments. This activity is scheduled for completion in the 3rd quarter of FY 2017.
    - Engaging states to conduct an assessment of current UI integrity efforts, to support implementation of an outreach strategy to solicit information on integrity issues, and create a model BPC operation plan. The information will also be used to highlight integrity practices that should be part of state UI IT Modernization efforts, including best practices, return on investment information, and "how-tos" in areas such as collections, fraud identification, cross matching, and identifying fictitious employers. This activity is due for completion in the 2nd quarter of FY 2016.
    - In September 2015, the Center hosted a conference to showcase products and tools that individual states are using to improve UI program integrity and prevent fraud. This technical information-sharing event brought together vendors and state staff responsible for program integrity to focus on the prevention, detection, and recovery of UI improper payments. The event also highlighted the Center's efforts directed at reducing IP for the entire UI system.

DOL is working to establish a deeper collaboration with Federal benefit programs that were recently targeted by fraud schemes involving the theft of personally identifying information and the use of that information for willful misrepresentation in claiming benefits. DOL will continue in FY 2016 to engage representatives from the Earned Income Tax Credit (EITC), Medicaid, Supplemental Nutrition Assistance Program (SNAP), Social Security Disability Insurance (SSDI), and the Temporary Assistance for Needy Families (TANF) programs with the goals of increasing information sharing and developing solutions to combat fraud schemes across multiple programs.

Federal Employees' Compensation Act Program:

"Failure to Verify" Error: Many IPs in the FECA program were "technically proper" when they were initiated, but due to current payment cycles, the payments could not be adjusted when additional information was received. These payments are considered part of the "Failure to Verify" error in **Table 2** above. In order to reduce this aspect of the FECA improper payment rate, OWCP has worked with Treasury to shorten the current payment cycles to significantly reduce the number of technically proper payments. This change was implemented in late March 2015, meaning it only affected the 4th quarter of CBY 2015 covered by this report.

"Administrative or Process Errors" Error: The program is also planning to engage in greater outreach efforts to employing Federal agencies, stressing the importance of timely and accurate reporting of payment information to FECA. The "Administrative or Process Errors" error category in **Table 2** above reflects pay rate errors and other errors that result from the lack of timely and accurate documentation from employing agencies.

"Inability to Authenticate Eligibility" and "Other" Error: In addition, OWCP is developing a Program Integrity Unit with auditors and data analysts to provide greater oversight and analysis of payment accuracy. As of October 1, 2014, OWCP has contracted with a data analytics firm to assist in developing technology and analytic tools to detect and monitor inherent risk in claims, payments, and providers. The resultant technology and analyses will enable OWCP to refine its policy, procedures and oversight interventions. The "Other" error category in **Table 2** above reflects OIG fraud restitution issues which are detailed in **section VII. Accountability** below.

VI. Internal Control over Payments

The table that follows (Table 3) is required for each agency that has programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1. Agencies shall briefly summarize the status of internal control over payments using: (1) a single narrative explaining efforts undertaken to provide reasonable assurance that internal controls over payments are in place and operating effectively; and (2) Table 3 illustrated below. The primary purpose of the summary is to provide a thoughtful analysis linking agency efforts in establishing internal controls and reducing IP rates. Agencies do not need to create a separate narrative for each program they are addressing in this section, rather, the agency may report using one narrative that encompasses the information for all of the programs reporting under the requirements of this section. Agencies should leverage existing internal control plans and at a minimum should address the internal control standards provided in OMB Circular A-123, Appendix C, Part II.C.2.

Effective internal controls are necessary for timely and reliable financial management information and fundamental to management accountability. DOL's internal controls review provides reasonable assurance to the President and Congress that the Department's internal controls are in place and operating effectively to prevent and detect improper payments. DOL applies the five standards included in ***Table 3:*** **Status of Internal Controls** below: *Control Environment, Risk Assessment, Control Activities, Information & Communication,* and *Monitoring*. DOL management is able to reasonably assess the design and operating effectiveness of control activities and to ultimately support an unqualified Assurance Statement published in the MD&A of this report. The UI program and the FECA program internal control activities over payments are discussed below.

Table 3: Status of Internal Controls

Internal Controls Standards	UI	FECA
Control Environment	4	4
Risk Assessment	4	3
Control Activities	4	3
Information & Communication	4	3
Monitoring	4	3
Legend:		
4 = Sufficient controls are in place to prevent IPs.		
3 = Controls are in place to prevent IPs but there is room for improvement.		
2 = Minimal controls are in place to prevent IPs.		
1 = Controls are not in place to prevent IPs.		

Unemployment Insurance Program:

As mentioned in **Section I. Risk Assessments**, the UI program is a unique Federal-state partnership, based on Federal law but administered by state employees under state law. Section 303(a)(1) has been interpreted to mean that states must have "methods of administration" to ensure that eligible claimants are paid UI benefits promptly when determined eligible and to ensure claimants who are not eligible are not paid. In addition, states must have methods of administration to protect against improper payments and fraud. This federal-state partnership structure makes UI unique among the nation's social insurance programs and program integrity depends almost entirely on actions by the states. DOL provides oversight and monitoring for state workforce agencies to support their efforts to reduce UI improper payments.

Control Environment: DOL ensures that states are actively engaged in implementing strategies and activities to effectively reduce improper payments and promoting a culture of integrity throughout the entire UI system. All states are required to have an Integrity Strategic Plan embedded in their biennial State Quality Service Plan (SQSP). State integrity performance measures are actively tracked and states failing to meet measures are required to include corrective action plans in the SQSP to support performance improvement. In addition, states may be identified as “high priority” for sustained poor performance related to program integrity and those so designated receive intensive technical assistance and increased monitoring and oversight. To accomplish that goal, an immediate call to action was issued to all state UI Administrators to ensure that all staff responsible for the operation of the program are engaged in a coordinated effort to address improper payments at all levels of the program. Essentially, everyone owns program integrity and it is expected that all agency staff be aware of the causes of improper payments and what their role is regarding overpayment prevention. Integrity programs must be designed to discourage fraud and uncover potential issues of fraud at the earliest possible time.

Accountability mechanisms have been established for DOL’s OCFO to monitor the implementation of its integrity strategies and to share information on the improper payment rate in the Federal-state UI system with the Department’s leadership and the public.

Risk Assessment: States are responsible for day-to-day operations to ensure integrity for the UI program, across all program functions, and through all levels of staff. BAM units within the states conduct in-depth investigations of a random sample group of claims made each week to measure the accuracy of UI benefit payments. Data from the BAM investigations provide the basis for the estimated improper payment rates at the state and national level. Refer to **section II. Statistical Sampling** for a more detailed discussion on BAM.

For claims that were improperly made, BAM determines the root 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 claimant, employer, and agency prior to sample selection. The root causes of improper payments derived from the BAM data is analyzed, prioritized, and used to develop strategies and corrective actions.

DOL validates and reports the BAM data on its public website.

Control Activities: All states have implemented pre-payment review processes for verifying and validating benefit eligibility requirements required under state UI law, although they may vary from state to state. Additionally, each state’s BPC unit is responsible for promoting and maintaining program integrity through prevention, detection, investigation, establishment, and recovery of improper payments. In addition, ETA collaborates with National Association of State Workforce Agencies (NASWA) and state representatives on the UI Integrity Center of Excellence which will assist with states’ internal control efforts by developing a data analytics and predictive modeling tool available for replication, as well as a UI data hub for states to compare information from different sources.

Every state conducts post-award reviews for the prevention and detection of UI improper payments to determine whether error or willful misrepresentation has occurred. These post-award reviews include use of data sources and other analytical tools to help ensure that payments made to claimants were appropriate.

Cost-benefit analysis has been performed to the extent feasible on strategies and other corrective actions to address root causes of improper payments prior to implementation.

Information and Communication: DOL issues advisories and handbooks to provide guidance and technical assistance to states. Additionally, training sessions (in-person and remote), and conferences have been scheduled to provide technical assistance share best practices between states.

DOL has established a robust set of performance measures used to evaluate the states’ overall operational performance including program integrity. States not meeting the criteria set for these measures are expected to submit corrective action plans as part of their annual SQSP submission. Additionally, the SQSP also includes a state-specific Integrity Action Plan that must discuss the root causes of improper payments and present the state’s strategies to address these causes.

DOL established an integrity strategic plan to improve the prevention, detection, and recovery of UI improper payments by targeting the largest root causes of overpayments. The plan is continuously evolving as new strategies to address the root causes are identified. Additionally, program performance information and data is published in the Department’s AFR. DOL also publishes UI improper payment targets and data on websites operated and maintained by OMB, the Department, and ETA. The Department's site clearly identifies each state's improper payment rate over a three-year sample period and the status of each state's progress in implementing the integrity strategies identified in the Department's strategic plan, noting if a plan is in place to implement the strategy and rating the strategy implementation as complete, on track, or not on track.

DOL's oversight process includes quarterly reviews on corrective action plans submitted as part of the SQSP, peer reviews and training for specific program areas such as BAM, Appeals and Benefit Timeliness and Quality, and enhanced monitoring and technical assistance provided to states with high improper payment rates or chronic poor performance. Currently, DOL is engaged in the reengineering of its accountability and review processes that will include addressing the operational aspects of the program through a state self-assessment process.

Finally, the UI Integrity Center of Excellence will assist with states' internal control efforts by developing a model Benefit Payment Control operation plan. Activities of the Center will include engaging states to conduct an assessment of current UI integrity efforts, supporting implementation of an outreach strategy to solicit information on integrity issues, and creating a model BPC Operation plan. The information will also be used to highlight integrity practices that should be part of state UI IT Modernization efforts, including state successful practices, return on investment information, and "how-tos" in areas such as collections, fraud identification, cross matching, and identifying fictitious employers.

Monitoring: DOL has implemented the BAM survey methodology to estimate the level of improper payments at the state and national level. Additionally, targets have been developed and progress tracked against these targets. The survey methodology and targets adhere to existing laws and OMB guidance. Additionally, DOL is understands statutory barriers for the UI program that limit the agency's corrective actions in reducing improper payments.

Federal Employees' Compensation Act Program:

In addition to the robust operational internal controls already in place, OWCP has initiated an annual audit process to estimate the improper payment rate and enhance internal controls to mitigate identified weaknesses. Longer term, OWCP is in the process of developing a Program Integrity Unit with auditors and data analysts to provide greater oversight and analysis of payment accuracy. OWCP has also contracted with a data analytics firm to assist in developing technology and analytic tools to detect and monitor inherent risk in claims, payments, and providers. The resultant technology and analyses will enable OWCP to refine its policy, procedures and oversight interventions.

VII. Accountability

> *For all programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1, agencies shall describe the steps the agency has taken and plans to take (including timeline) to ensure that agency managers, accountable officers (including the agency head), programs, and States and localities (where appropriate) are held accountable for reducing and recapturing IPs. Specifically, they should be held accountable for meeting applicable IPs reduction targets and establishing and maintaining sufficient internal controls (including an appropriate control environment) that effectively prevents IPs from being made and promptly detects and recaptures any IPs that are made.*

The Department has taken extensive measures to ensure that managers, accountable officers (including agency heads), programs, and states and localities are held accountable for reducing and recapturing IPs. These measures are designed to hold the appropriate personnel accountable for meeting applicable IP reduction targets and establishing and maintaining sufficient internal controls to effectively manage IP risk and promptly detect and recapture any IPs that are made. They vary by program and are described in detail in the program-specific narratives below.

Unemployment Insurance Program:

DOL's Employment and Training Administration (ETA) is responsible for Federal oversight of state UI programs, including oversight of state activities to reduce and recover improper UI benefit payments. ETA has taken and continues to take the steps discussed below to hold Federal managers accountable for reduction and recovery of improper UI payments by states. State workforce agencies administer the UI program and set operational priorities within the resources available. ETA has established a robust set of performance measures used to evaluate the states' overall operational performance. States not meeting the criteria set for these measures are expected to submit corrective action plans as part of their annual State Quality Service Plan submission.

In response to the level of improper payments in the UI program, ETA developed a Strategic Plan to address several root causes of IP which were described in detail above in **section V. Corrective Actions: UI**. ETA continues to focus on the following integrity related activities and ensure the annual performance standards for managers include the completion of significant milestones for the projects listed below.

- As part of their SQSP, states are required to prepare an Integrity Action Plan. The plan must identify the state officer(s) accountable for reducing IP, summarize the state's assessment of whether it has the internal controls, human capital, and information systems and other infrastructure needed to reduce IP to minimal cost-effective levels, and identify any statutory or regulatory barriers which may limit the agency's corrective actions in reducing IP. Additionally, the plan must discuss the root causes of IP and present the state's strategies to address these causes.
- ETA requires states to operate the BAM survey to measure and report the percentage, dollar amount, and reasons for IP. Data are derived from investigations of a statistically valid sample of payments using federally prescribed procedures. ETA reviews this data for validity, analyzes the data for each state, and makes the data available publicly on ETA's Office of Unemployment Insurance (OUI) website. Data review, analysis and publication are included in the performance plan of the Administrator of ETA's OUI and in the elements and standards of numerous staff in that office.
- ETA has implemented a core performance measure for detection of overpayments by state UI programs. States that fail to meet the performance criterion submit corrective action plans. Analysis of state performance and monitoring of states' corrective actions continue to be evaluation factors in OUI managers' performance plans.
- ETA has developed additional performance measures that require states to:
    - Reduce by 30% after the first year of implementation and by 50% after the second year of implementation those overpayments attributable to individuals who continue to claim UI benefits after they return to work;

  - Meet the less than 10% improper payment rate criterion included in IPERA; and
  - Meet a minimum UI overpayment recovery rate target.
- ETA has promoted and continues to promote cost effective methods for states to prevent, detect, and recover improper UI benefit payments. Development, delivery, and/or successful implementation of these initiatives by states have been and continue to be factors on which the OUI administrator and managers are evaluated. These initiatives were described in detail earlier in this document in **section V. Corrective Actions: UI**.

As discussed in **section VI. Internal Control over Payments: UI**, as part of its monitoring and oversight responsibilities of each state's UI operations, DOL takes an active role in facilitating and promoting strategies to reduce IP and meet the payment accuracy and recovery targets required by IPERA. However, it should be noted that these strategies require the cooperation and implementation by individual states, including in some cases changes to state laws and regulations. DOL has no explicit authority over how states establish priorities in administering their UI programs and, therefore, can only make recommendations and provide technical assistance in the use of these strategies.

Federal Employees' Compensation Act Program:

The FECA improper payment rate estimate includes a fraud component. For the purposes of rate calculation, OWCP considers fraudulent payments to be those payments for which fraud has been admitted or proven in the judicial system. A fraudulent payment rate was determined by averaging the court-ordered restitution awarded to FECA as the result of fraud across a three year period. Using this process, the average for the CBY2015 fraud estimation was $2.84 million[1] per year, which translated to 0.095%. The overall improper payment rate, less fraud, was 2.78%. This represents a 0.28% increase from last year's IP rate. OWCP attributes this to a change in claims processing requirements. In FY 2015, FECA dropped a performance standard relating to review of incoming case documentation in an attempt to find process efficiencies due to limited resources. However, as a result, not all claims actions were completed in time to prevent being designated as an improper payment under the current methodology. After the FY15 IP review identified the issue the standard has been reinstated in FECA Operational Plan goals for FY 2016. OWCP anticipates that FECA will return to prior levels of performance in FY 2016. While this rate is above the IPERA threshold for risk susceptibility, issues identified during OWCP's improper payments review should lead to substantial improvements in the FECA rate in the coming years.

As noted in **section II. Statistical Sampling: FECA**, the FECA estimate of fraudulent payments are based on actual restitution amounts and therefore did not reflect an estimate of undetected fraud. In the Congressional Budget Office's (CBO) report entitled "How Initiatives to Reduce Fraud in Federal Health Care Programs Affect the Budget" (10/2014), CBO found "...*although fraud that has been successfully prosecuted can be quantified, there is no reliable method to estimate the amount of fraud that goes undetected*...". Given the unreliability of such an estimate, OWCP has concluded that the most appropriate use of limited resources is to focus on using data analytics to understand the types of improper payments, and to look for correlations and anomalies in order to understand causes and potential remedies.

With the goal of reducing IP in the program, OWCP implemented an IP review process and is committed to addressing issues identified during the review. This review process should lead to substantial improvements in the estimated FECA IP rate in the coming years. Longer term, OWCP is developing plans to improve the program integrity function in its programs with auditors and data analysts to provide greater oversight and analysis of payment accuracy.

[1] As noted in **Table 2**, under the "Other" root cause category above.

VIII. Agency Information Systems and Other Infrastructure

a. *For all programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1, agencies shall describe whether the agency has the internal controls, human capital, and information systems and other infrastructure it needs to reduce IPs to the levels the agency has targeted.*

b. *If the agency does not have such internal controls, human capital, and information systems and other infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to establish and maintain the necessary internal controls, human capital, and information systems and other infrastructure.*

Unemployment Insurance Program:

States have internal controls, processes, programs, and staff in place throughout all operations of the UI program dedicated to protection from internal threats and vulnerabilities. These threats and vulnerabilities include physical damage and harm to staff and property, misuse of administrative funds and assets by agency staff, and misuse of UI funds by agency staff. It is incumbent upon the state agencies to have a series of protections in place addressing controls such as the granting of systems access, developing and upholding security policies and procedures, the proper configuration of hardware and software, basic physical safeguards, backup tests and disaster recovery provisions, regular audits, ongoing employee training, etc.

While state internal security programs are intended to identify and eliminate system vulnerabilities, the risk remains of losses from the issuance of improper UI benefit payments and misuse of administrative funds due to fraud, waste, and abuse. States are expected to review these controls and update them regularly to eliminate new threats and vulnerabilities as technology and business practices in the administration of the UI program evolve.

Although integrity is the responsibility of all agency staff, the states have dedicated staff conducting BPC activities to prevent, detect, and recover improper payments. These staffs work closely with agency management to assure that sufficient controls are in place to prevent improper payments, conduct complex fraud investigations, and operate the activities required to recover improper payments if they have been made.

DOL is also engaged with the states to monitor activity and provide technical assistance to ensure that states are able to utilize available integrity tools. For example, as a result of DOL monitoring, states modified computer matching procedures to improve the productivity of NDNH as a resource to detect improper payments. Additionally, DOL has worked closely with state agencies to develop the information systems and infrastructure to support SIDES and to access TOP for UI overpayment recovery.

State UI benefit and tax IT systems vary in terms of performance capacities, capabilities, and adaptability to new UI programs and integrity strategies. Many states continue to struggle with antiquated IT infrastructure, making it difficult to implement many integrity solutions. During the past decade, DOL has provided states with over $800 million supplemental funding to implement strategies and technology-based infrastructure investments that will help the states prevent, detect, and recover UI overpayments. These investments result in staff cost savings for integrity-related activities, increased dollar amounts of overpayments recovered, and prevention of future overpayments. Included in these supplemental funding to states are approximately $369 million provided to state consortia to address outdated IT system infrastructures which are necessary to improve UI integrity. Currently, there are now five consortia projects under way involving 14 states.

Federal Employees' Compensation Act Program:

OWCP-DFEC is a claims processing organization adjudicating workers' compensation claims for all Federal employees and certain non-Federal employees specifically covered under FECA. OWCP utilizes the Integrated Federal Employees Compensation System (iFECS) to administer the FECA program. iFECS is a major application that provides a case management system to support DFEC core business functions in administering FECA. iFECS includes the iFECS system and three sub-components, the Agency Query System (AQS), the Claimant Query System (CQS) and the Employees' Compensation Operations and Management Portal (ECOMP). iFECS is a three-tier application that was established to provide FECA with an automated case management system. iFECS provides data processing, program management, financial management, and decision support functionalities to authorized users in DFEC. iFECS maintains an automated record of all claims filed, the adjudicatory status of those claims and benefits paid and denied. Data on entitlement, benefits payment status and attorney fees maintained on iFECS is available in accordance with the Privacy Act to authorized claimants, authorized representatives and authorized user organizations verbally via telephone and in paper/electronic formats.

Initial payments made in the first 90 days of a compensation claim and payments made on claims initiated prior to November 2000 that have not been imaged and stored electronically in OWCP’s iFECS system are not included in the FECA improper payment estimation methodology. The Department is dedicated to ensuring beneficiaries receive the benefits they are entitled to in a timely manner and has concluded that pursuing information on non-imaged (pre-November 2000) cases would not be cost effective and would not provide a statistically significant benefit to sample a steadily diminishing population.

IX. Barriers

For all programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1, agencies shall describe any statutory or regulatory barriers, which may limit the agency's corrective actions in reducing IPs and actions taken by the agency to mitigate the barriers' effects.

Unemployment Insurance Program:

The UI program complies with several statutory provisions establishing requirements that impose challenges to reducing improper payments.

Federal-State Partnership: Each state administers the UI program according to its own laws and policies, which must conform to broad federal requirements. Improper payment rates often reflect differences in state law. For example, states with strict active work search requirements will have perennially higher overpayment rates than those states with minimal active work search requirements. It is extremely resource intensive for states to verify and enforce claimant work search contacts with employers given the more pervasive role employment search engines, large employment application databases, and online social networks play in the modern job search process.

Additionally, States have bottom-line authority to set operational priorities. The Department has limited authority to ensure states use their funding to pursue improper payment reduction activities.

Delays in Receiving Separation Information: As discussed in **section I. Risk Assessments: Program Integrity Overview - UI** above, Section 303(a)(1) of the Social Security Act requires payment "when due", prohibiting states from suspending UI benefit payments until an official determination has been made that payments are no longer due. In addition, there are strong policy reasons for ensuring prompt payment of benefits when due - UI is a critical safety net program providing individuals funds to pay for necessities while searching for the next job, and UI funds circulating in the economy during times of increased unemployment has a stabilizing impact on the economy. In compliance with the "when due" provisions of the law, states make the determination of whether or not to pay benefits based on the best available information. A major challenge to addressing IP is created when claimants, employers, and third party administrators working for employers fail to report information timely and/or accurately.

State Resource Priorities: In recent years state staffing resources have been negatively impacted in two ways. First, during the recent recession, many state agencies diverted integrity staff to claims taking functions to process overwhelming workloads. In addition, the per-staff cost factors have only been increased for inflation once since 1995, and that was by 1% in 2010. From 1995 through 2014 inflation, as measured by the consumer price index (CPI), has increased by 55.3%, causing prevailing wages to increase beyond states' ability to compete for staff in the labor market. Also, state furloughs and hiring freezes have reduced the UI administrative staff overall. Due to these personnel dislocations and staffing mismatches, UI claims adjudication was often conducted by less experienced or inadequately trained staff, resulting in an increased number of claims processing errors.

Second, state agencies' employees who leave through normal attrition or early retirements are often replaced by less experienced staff. Pressures on state budgets have reduced training, further contributing to the decrease in skilled staff who can accurately administer the relatively complex UI program.

Work Search as a Root Cause: Developing strategies to address work search errors, which is the highest root cause of UI improper payments nationally, is very challenging. State eligibility requirements with respect to active work search vary significantly among states and in some cases use vague language making it difficult to interpret consistently. More states are implementing stricter work search requirements resulting in significantly increased work search errors. It is very difficult for state UI agencies to verify claimant work search contacts with employers, given the methods of employment application vary widely in the current labor market, such as the posting of resumes on employment search engines and large databases. In addition, employers do not maintain records on all applicants or individuals submitting resumes, also adding to the challenge of validating work search. Strategies to address these challenges are few. The most effective strategy is random work search audits, which is workload and resource intensive and states have not been specifically required or funded to do random work search audits. As a result of all these factors, work search IP are increasing and driving up the overall UI improper payment rate.

Information Technology (IT) Capacity: State IT capacity has been strained by the need to reprogram for the several extensions of temporary unemployment compensation programs. IT resources are not available for integrity functions, such as cross-matching claimant information with the new hire and other databases. Many state systems are several decades old and cannot be easily adapted to new improper payment detection methods, such as generating follow-up communications with claimants and employers to verify new hire matches.

Federal Employees' Compensation Act Program:

The largest category of discrepancies identified is payments that were technically proper but were issued improperly due to payment cycle limitations with the Treasury. Specifically, the improper payment was due to the fact that FECA was notified of a claimant's ineligibility *after* the payment cycle had closed, but before the payment was issued, yet was still unable to stop the payment. Had these technically proper payments been stopped before issuance, the FY 2015 FECA improper payment rate would have been estimated at only 2.11%.

The other major category highlighted an ongoing difficulty that FECA has with its payment process, namely reliance on reporting by other Federal agencies. The FECA program has to rely on the information supplied by the injured worker's employing agency in order to determine their benefit payments and has no mechanism to determine if the agency reporting is accurate. Untimely or inaccurate pay rate information provided by the employing agency leads to improper payments attributed to the FECA program, even if a DFEC employee keyed the payment accurately according to the information available. In essence, this increases FECA's improper payment rate through no fault of the program.

Lastly, the urgency of FECA payments must be considered when reviewing payment performance. FECA wage-loss payments are issued to injured federal employees who are likely without any other source of income, so it is imperative that the program issues the payments in a very timely manner. This restricts the program's ability to put additional controls in place to ensure payment accuracy, such as a more detailed post-payment review process, in the interest of avoiding hardship to the claimants it serves.

X. Recapture of Improper Payments Reporting

a. *Payment Recapture Audits Narrative. See OMB Circular A-123, Appendix C Part I.D for more information about payment recapture audits. All programs and activities that expend $1 million or more annually – including grant, benefit, loan, and contract programs – shall be considered for payment recapture audits. An agency shall discuss payment recapture audit (or recovery auditing) efforts, if applicable.*
b. *Programs Excluded from the Payment Recapture Audit Program. If the agency has excluded any programs or activities from review under its payment recapture audit program (including any programs or activities where the agency has determined a payment recapture audit program is not cost-effective), the agency must:*
    1. *List all of the programs and activities where it has been determined conducting a payment recapture audit program would not be cost effective (whether determination occurred in the current year or in a prior year),*
    2. *Indicate when OMB was notified (month and year) that it was not cost effective to conduct a payment recapture audit and the program would be excluded from a payment recapture audit program, and*
    3. *Provide the justification and a summary of the analysis that is used to determine that conducting a payment recapture audit program for the program or activity was not cost effective (i.e., a discussion of the analysis conducted to determine that a payment recapture audit program would not be cost-effective).*
c. *Payment Recapture Audit Reporting. Complete the table (Table 4) below and include each program or activity that expends $1 million or more annually and either conducts a payment recapture audit or recaptures payments outside of a payment recapture audit (if any of this information is not available indicate by either note or by "n/a" in the relevant column or cell). Agencies may include a footnote to list the programs or activities that do not have a recovery audit program in place. Programs or activities where the agency has determined a payment recapture audit program is not cost effective should still be listed in the table below if they have overpayments recaptured outside of a payment recapture audit (see the Overpayments Recaptured Outside of Payment Recapture Audits section below for more information). Dollars shall be displayed in millions and shall be carried out by at least two decimal points or be carried out to as many decimal points as the agency deems necessary to convey accurate information beyond two decimal points. For 157 ease of presentation, if a column in Table 4 does not apply to any of the programs or activities listed in Table 4 for a particular agency, the column does not need to be displayed. Note that these will be payments that were identified and/or recaptured in the current reporting year; however, the actual payment itself may have been made in a prior reporting year or in the current reporting year.*
d. *Overpayments Recaptured Outside of Payment Recapture Audits. As applicable, agencies should also report on IPs identified and recovered through sources other than payment recapture audits. For example, agencies could report on IPs identified through: statistical samples conducted under IPIA; agency post payment reviews or audits; Office of Inspector General reviews; Single Audit reports; self-reported overpayments; or reports from the public. Agencies should use the "Overpayments Recaptured Outside of Payment Recapture Audits" section of Table 4 to report this information. Note that these will be payments that were identified and/or recaptured in the current reporting year; however, the actual payment itself may have been made in a prior reporting year or in the current reporting year.*
e. *Payment Recapture Audit Program Targets. If an agency has a payment recapture audit program in place, then the agency is required to establish annual targets to drive their annual performance. The targets shall be based on the rate of recovery. Agencies are expected to report CY amounts and rates, as well as recapture rate targets for two years (CY+1 and CY+2). Agencies are encouraged to set targets that show an increase in recapture rate over time.*

As reported to OMB in November 2014 in the FY 2014 AFR and FY 2014 Recapture Audit Report, and in previous such reports, DOL risk assessments have found that recapture audit programs are cost effective for only the UI program. As part of the Department's regular cycle of Department-wide risk assessments, these determinations will be revaluated for all programs in fiscal years 2016 and 2017.

Table 4.0: Overpayments Recaptured through Payment Recapture Audits ($ in millions)

	Benefits					Total	
Program or Activity	Amount Identified	Amount Recaptured	FY 2015 Recapture %	FY 2016 Recapture % (Target)	FY 2017 Recapture % (Target)	Amount Identified	Amount Recaptured
UI	$1,600.71	$1,143.12	71.41%	68.00%	71.00%	$1,600.71	$1,143.12
Total	$1,600.71	$1,143.12	71.41%	68.00%	71.00%	$1,600.71	$1,143.12

Notes: UI payments are reviewed by each state, not by the DOL, in accordance with the provisions of the Single Audit Act and state UI law. Each state follows review procedures, such as matching paid claims against the NDNH and other databases to detect benefits which are improperly paid and use a variety of tools to recover benefits overpaid, such as leveraging the U.S. Treasury Offset Program. Overpayments detected and recovered are reported to DOL on the Quarterly Overpayment Report, ETA 227.
Includes total overpayments reported as outstanding on the ETA 227 and EUC 227 reports (line 313) as of the report date.
Excludes amounts waived for recovery.
Amounts based on data for the period July 1, 2014 through June 30, 2015, the most recent period for which data are available.

Table 4.1: Overpayments Recaptured Outside of Payment Recapture Audits ($ in millions)

No program which expended over $1 million or greater reported overpayments recovered outside of payment recapture audits.

Table 5: Disposition of Funds Recaptured Through Payment Recapture Audits ($ in millions)

Program or Activity	Amount Recovered	Type of Payment	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Returned to Treasury	Other
UI	$1,143.12	UI Benefits	NA	NA	NA	$1,143.12	NA	NA
Total	$1,143.12							

Notes: Federal law prohibits the use of UI funds recaptured for any purpose other than the original purpose.

Table 6: Aging of Outstanding Overpayments Identified in the Payment Recapture Audits ($ in millions)

Program or Activity	Type of Payment	Amount Outstanding (0 – 6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)	Amount determined to not be collectable [1]
UI	UI Benefits	$595.52	$603.28	$2,088.27	$888.01
Total		$595.52	$603.28	$2,088.27	$888.01

Notes: Includes that portion of overpayments reported as outstanding on the ETA 227 and EUC 227 Reports (line 313) that were 360 days old or less as of the report date. Overpayment aging data are not available for EUC overpayments and have been imputed from UI, UCFE, UCX, and EB overpayment aging data. See explanation in narrative below.
[1] Includes overpayments written off (ETA 227 and EUC 227 Reports, line 309) and receivables removed after two years unless recovery is in progress (ETA 227 and EUC 227 Reports, line 312).

Unemployment Insurance Program:

The UI program was deemed cost effective for payment recapture audits. Performing UI payment recapture activities and providing states with tools to aid recovery are top priorities at DOL. DOL's recapture activities have focused on areas that offer the greatest opportunity for improvement.

The Department coordinates with states to recover UI overpayments. Each state's BPC unit is responsible for promoting and maintaining UI program integrity through prevention, detection, investigation, establishment, and recovery of IP. BPC operations identify UI overpayments for recovery through such methods as cross-matching claimant Social Security Numbers with State and National Directories of New Hires, wage record files submitted each quarter by employers, matches with other databases, such as Workers Compensation and State Corrections, and other sources such as appeals, reversals and tips and leads. States collect overpaid claims through offsets of UI benefits, Federal income tax refunds under the Treasury Offset Program (TOP), state income tax offsets, and direct cash reimbursement from the claimant. From FY 2008 through FY 2015, approximately $9.42 billion was recovered for the UI program (including the State UI, UCFE, UCX, EB, and EUC programs).

In February 2011, Treasury enacted a regulation to permit states to offset UI overpayments through TOP. As of September 2015, 44 states have implemented TOP and 5 other states are in various stages of implementation. An estimated $221.6 million in UI overpayments were recovered through TOP in FY 2015. Additionally, on December 26, 2013, the President signed into law the Bipartisan Budget Act. This Act amended section 303 of the Social Security Act to require states, as a condition for receipt of grants to administer their UI programs, to use the TOP to recover covered UI debt that remains uncollected as of the date that is one year after the debt was finally determined to be due and collected.

The states must hold the claimants liable to repay benefits that were received improperly and take an active role to recover IP (payment recapture audits). States may waive repayments for non-fraud overpayments when it would be against equity and good conscience pursuant to their state's law. Some of the recovery activities and tools used by states include:

- Offsets from benefits;
- Offsets from state and Federal income tax refunds;
- Offsets from lottery winnings, homestead exemptions, and other benefits, including the Alaska Mineral Refund;
- Interstate recovery agreements;
- Repayment plans;
- Civil Actions, including wage garnishments and property liens;
- Skip tracing, collection agencies, and credit bureaus;
- Probate and bankruptcy;
- Referral to OIG and other law enforcement agencies;
- State and Federal prosecution; and
- Establishment of interest and penalties on overpayments, which adds an incentive to repay quickly.

Table 4.0, above, provides a summary of UI overpayments established and recovered as a result of the activities described above.

Recovered overpayments for state UI claims are returned to the UI account from which the benefits were originally paid.

Table 4.2.UI: UI Overpayments Established and Recovered by Fiscal Year (Excluding Waivers) ($ in millions)

Fiscal Year	Overpayments Established UI/UCFE/UCX/EB	Overpayments Recovered UI/UCFE/UCX/EB	Recovered %	Overpayments Established UI/UCFE/UCX/EB + EUC	Overpayments Recovered UI/UCFE/UCX/EB + EUC	Recovered %
2008	$1,002.13	$571.16	56.99%	$1,010.17	$572.97	56.72%
2009	$1,456.40	$850.99	58.43%	$1,736.29	$914.63	52.68%
2010	$1,906.31	$966.02	50.67%	$2,834.45	$1,179.89	41.63%
2011	$1,887.18	$997.97	52.88%	$2,995.72	$1,298.98	43.36%
2012	$1,740.39	$1,015.23	58.34%	$3,021.71	$1,400.13	46.34%
2013	$1,575.51	$1,077.02	68.36%	$2,452.12	$1,512.82	61.69%
2014	$1,467.51	$1,036.88	70.66%	$2,089.80	$1,400.71	67.03%
2015	$1,357.50	$926.27	68.23%	$1,600.71	$1,143.12	71.41%

The states are required to report quarterly on overpayment detection and recovery activities on the ETA 227 Report. The amounts established and recovered are based on reports submitted during the indicated fiscal year. However, the actual payment of benefits may have occurred in a prior fiscal year.

The information reported on the ETA 227 Report is based on actual counts of UI overpayments identified and recovered by the state agencies. This is in contrast to the estimates of UI overpayment rates and amounts that are reported for the IPIA, which are based on the results of BAM. BAM is a statistical survey of paid and denied UI claims. The results of the BAM audits are projected to the population of benefit payments for all unemployment compensation programs: State UI, UCFE, UCX, EB, and EUC. These BAM estimates may be significantly higher than actual overpayments identified for recovery because:

1. BAM audits detect eligibility issues that usual BPC detection methods will not identify, because it is very workload intensive and/or not cost effective to detect (for example, verification of all claimant work search activity or that all claimants were able and available for work); or
2. The overpayment is not recoverable because the responsibility for the improper payment is the agency's and/or the employer's, rather than the claimant's, or due to state finality rules.

"Overpayment Establishments" have been adjusted to subtract waivers, which are overpayments that the state agency has determined are not recoverable. The Unemployment Insurance Report Handbook (ET Handbook 401, 4th edition, Section IV, Chapter 3, p. 10) defines a waiver as "a non-fraud overpayment for which the state agency, in accordance with state law, officially relinquishes the obligation of the claimant to repay. Usually, this is authorized when the overpayment was not the fault of the claimant and requiring repayment would be against equity and good conscience or would otherwise defeat the purpose of the UI law."

All state laws provide for recovery of benefit overpayments. States must follow their individual state laws and policies in executing such recovery efforts. In addition to direct repayment by claimants, overpayment collection efforts include benefit payment offsets, state income tax refund offsets, federal income tax refund offsets via the Treasury Offset Program, wage garnishments, interception of lottery winnings, and pursuing both civil and criminal action in state courts as well as some other means available to states. The expense of recovery efforts can vary greatly by state depending on the actions that are pursued. Also, the capacity of the state to pursue such actions is a factor that influences the level of recovery.

DOL believes that this definition is consistent with the criteria established by OMB for evaluating the cost effectiveness of a payment recapture program in the revised OMB Circular A-123, Appendix C, Part I.D, Section 5, p.31.

The ETA 227 Report captures data on the causes of overpayments, the method of detection, recovery and reconciliation, criminal and civil actions, and the aging of benefit accounts. After eight quarters, the overpayments are removed from the total outstanding balance on this report. This does not affect the state's accounting practices. When overpayments are recovered that have been removed from the reported outstanding balance, the amount will be added back to report the recovery in the quarterly report, regardless of when the overpayment originally occurred. States are now able to attempt recovery of these older unemployment compensation debts through TOP by offsetting the claimant's Federal income tax returns. When IP are recovered, they are returned to the states' UI trust fund account from which they were paid.

No UI benefit overpayments were recovered outside of payment recapture audits.

XI. Additional Comments

Discuss any additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA, IPERA, and or IPERIA implementation.

Unemployment Insurance Program:

Other Barriers and Department Response: The Department of Treasury requires states to use merit-based state government staff to access TOP data. However, several states use contract staff to perform program activities that require accessing TOP data. Some states have reported difficulties in implementing the TOP program due to Treasury's mandate to use merit staff. Treasury is working with the Department to provide customized technical assistance to resolve this issue.

ETA is developing Integrity legislation. The package is completing the departmental approval process, and ETA is drafting legislative specifications and language for clearance by OMB. Legislative language is expected to be transmitted to Congress, pending OMB approval.

Federal Employees' Compensation Act Program:

The FECA program believes that the enhanced Treasury payment cycle changes put in towards the end of the prior review period will show even larger gains in FY 2016, resulting in reductions to the IP rate. Though only in place for one quarter, the changes showed positive results so FECA believes that there will be even greater gains in the coming year. The Program is also analyzing the results of an Improper Payments audit conducted in FY 2015 to determine further corrective actions to be applied in FY 2016.

FECA continues to work towards reducing improper payments, and towards that end plans enhanced Program Integrity efforts in FY 2016. This includes the hiring of additional staff dedicated to process improvement and improper payment reduction. In addition, the Program continues to work with other federal partners such as the Social Security Administration (SSA), Internal Revenue Service (IRS), and Office of Personnel Management (OPM) to facilitate data matches aimed at improper payment reduction. These matches will benefit both partner agencies, resulting in government-wide improper payment reductions.

XII. Reduction of Improper Payments with the Do Not Pay Initiative

IPERIA requires pre-payment and pre-award reviews by each agency to determine program or award eligibility and to prevent improper payments before the release of any Federal funds. The procedures must ensure that a thorough review on eligibility occurs with relevant information of available databases.

IPERIA also requires OMB to submit to the Congress an annual report, "which may be included as part of another report submitted to Congress by the Director, regarding the operation of the Do Not Pay Initiative, which shall:

A. include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards; and

B. provide the frequency of corrections or identification of incorrect information."

To support this requirement, all agencies shall provide a brief narrative discussing the agency's actions attributable to the Do Not Pay Initiative and respective databases on an annual basis, regardless of the agency's susceptibility to improper payments. This narrative shall include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards; identify the frequency of corrections or identification of incorrect information; and include completion of the table that follows (Table 7).

Do Not Pay (DNP) Initiative is a government-wide initiative mandated by OMB Memorandum M-12-11 dated April 12, 2012, Reducing Improper Payments through the "Do Not Pay List,", and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 (Pub. L. 112-248) to screen payment recipients before a grant, contract award or payment is made. DOL has implemented the screening of payments through the Treasury Do Not Pay Portal and, as appropriate, screens payments via the DNP databases directly.

IPERIA Specified Databases: In FY 2015, the following databases were specified by IPERIA:

- Death Master File of the Social Security Administration (DMF),
- General Services Administration's Excluded Parties List System (EPLS), (or the updated System for Award Management (SAM))
- Debt Check Database of the Department of the Treasury (Debt Check),
- Credit Alert System or Credit Alert Interactive Voice Response System of the Department of Housing and Urban Development (CAIVRS),
- List of Excluded Individuals/Entities of the Office of Inspector General of the Department of Health and Human Services (LEIE), and
- Prisoner Update Processing System of the Social Security Administration (PUPS), as added to IPERIA by the Bipartisan Budget Act of 2013, Public Law 113–67.

Table 7: Results of the Do Not Pay Initiative in Preventing Improper Payments ($ in millions)

Program or Activity	Number (#) of payments reviewed for possible IP	Dollars ($) of payments reviewed for possible IP	Number (#) of payments stopped	Dollars ($) of payments stopped	Number (#) of potential IP reviewed & determined proper	Dollars ($) of potential IP reviewed & determined proper
Reviews with the IPERIA specified databases [1]	2,260,295	$6,531.35	0	0	1,303	$1.04
Reviews with databases not listed in IPERIA [2]	NA	NA	NA	NA	NA	NA

Notes: [1] Indicates payments reviewed by the DNP Portal. [2] Information is not collectable at this time, as detailed in narrative below.

Overview of Do Not Pay: IPERIA and OMB directives require agencies to integrate the use of existing Federal databases (collectively known as the “Do Not Pay List”) to verify eligibility for Federal payments in order to reduce and eliminate payment errors before they occur. The DNP Business Center provides Federal agencies with a web-based single-entry access DNP Portal to these existing databases.

Approach for Implementing DNP Portal: Incorporating the DNP Portal fully into DOL’s business processes is a major undertaking involving the active cooperation of not only OMB, Treasury, and DOL component agencies, but also the states. OCFO facilitated development of a Plan for enrollment and implementation with affected component agencies. Component agencies work with OCFO to implement the DNP Solution in their business processes. Component agencies are responsible for implementation of DNP within their business processes and interfacing with state stakeholders where appropriate.

DNP Portal Payment Reviews: Beginning in FY 2015, the DNP Portal has been comparing the Department’s PAM file against the SAM and DMF databases. The PAM file includes automated payments made by the Department. When a payment matches, the payment information is returned to OCFO for adjudication. OCFO reviews matches against business rules to cull false-positives. Matches which cannot be culled per business rules are reviewed by subject matter experts in the appropriate component agency to determine if the match represents a true positive improper payment. Since its inception, none of the matches returned by the DNP Portal have been found to be improper payments.

Reviews of IPERIA Specified Databases Outside the DNP Portal: DOL programs review IPERIA specified databases as appropriate for their business needs. Procurement and grants programs include internal controls requiring review of all vendors against the SAM database. OWCP benefit programs conduct batch matching against the DMF. States are currently prohibited by law from participating in the DNP Initiative, however many state programs review UI beneficiaries against versions of the DMF independently, as discussed in detail in **section V. Corrective Actions: UI**, above. These reviews are designed to prevent IP and vary significantly by specific programmatic need. Because of programmatic variation and the high likelihood of “double matching” a single payment against multiple databases, comparable statistics on potential IP prevented by these efforts have not been collected. The Department will review if this data can be cost effectively collected during the course of regular risk assessments.

Reviews of non-IPERIA Specified Databases: The Department maintains comprehensive, cost effective internal controls to ensure the payment integrity of all programs. Among these controls DOL programs review payment files against certain databases not specified by IPERIA. These reviews are designed to prevent IP and vary significantly by specific programmatic need. Many state programs review UI beneficiaries against a variety of databases, (e.g. the National and/or State Directory of New Hires, etc) independently. These efforts are discussed in detail in **section V. Corrective Actions: UI**, above. Because of programmatic variation and the high likelihood of “double matching” a single payment against multiple databases, comparable statistics on potential IP prevented by these efforts have not been collected. The Department will review if this data can be cost effectively collected during the course of regular risk assessments.

Freeze the Footprint

Consistent with Section 3 of the OMB Memorandum M-12-12, Promoting Efficient Spending to Support Agency Operations and OMB Management Procedures Memorandum M-13-02, the “Freeze the Footprint” (FTF) policy implementing guidance, all Chief Financial Officer Act departments and agencies shall not increase the total square footage of their domestic office and warehouse inventory compared to the FY 2012 baseline. There are significant opportunities for reductions in square footage and cost savings through agency co-locations, consolidations, and disposals of unneeded space within the Federal Government’s vast portfolio of real property assets. As a result, OMB is working in partnership with General Service Administration (GSA) and other Federal agencies to better align the size of the Federal real property inventory.

Agencies are required to report cost data along with the most recent square footage information submitted to the Federal Real Property Profile (FRPP) in their annual Performance and Accountability Report or AFR. This section is presented in accordance with Section 11.5.10 of OMB Circular A-136, issued September 2014.

Actions to Freeze the Footprint

Overall, the space utilization for DOL personnel in GSA provided office space is 258.6 square feet per person (SF/per), and represents an opportunity for DOL to achieve both rent savings and a reduction of the total office footprint nation-wide. As GSA leases commercial space on a competitive basis and sets the rent for federal buildings, DOL has little control of the rent and maintenance cost per square foot for each office location.

Using the initial President’s Management Agenda Real Property Benchmarking Metrics, DOL has identified potential space consolidations and co-locations that can result in significant reductions to the DOL office footprint and achieve rent savings for the agencies.

Table FTF 1 reflects the total square footage associated with DOL’s assets subject to “Freeze the Footprint” policy, as identified by Data Element #3 from Federal Real Property Council’s “Guidance for Real Property Inventory Reporting from the latest available reporting year FY 2014, and compares it to the FY 2012 “Freeze the Footprint” baseline (as assigned by GSA). The square footage totals reported align with agency totals confirmed by GSA. As noted in DOL’s submissions to OMB, DOL had expected increased in the FY 2013 and FY 2014 footprints due to projects approved prior to the end of FY 2012.

Table FTF 1: Freeze the Footprint Baseline Comparison

	FY 2012 Baseline	2014 (CY)	Change (2014 CY - FY 2012 Baseline)
Square Footage (SF in millions)	6,942,509	6,976,171	33,662

Table FTF 2 reflects the annual operating costs as reported in the most recent Federal Real Property Profile submittal for owned and direct lease facilities (direct lease facilities does not include GSA occupancy agreements) that are subject to the “Freeze the Footprint” policy, as identified by Data Element #3 from Federal Real Property Council’s “Guidance for Real Property Inventory Reporting” as reported in the most recent Federal Real Property Profile submittal[1]. The cost data reported by DOL is based directly on data reported into the latest available Federal Real Property Profile database.

[1] See GSA, Office of Government-wide Policy, Federal Real Property Council, 2014 Guidance for Real Property Inventory Reporting (May 27, 2014) p.6.

Table FTF 2: Operation and Maintenance Costs – Owned and Direct Lease Buildings ($ in millions)

	FY 2012 Reported Cost	2014 (CY)	Change (2014 CY - FY 2012 Baseline)
Operation and Maintenance Costs	$6.9	$8.7	$1.8

DOL will utilize several strategies to reduce its footprint and increase the efficient use of real property to manage space. These strategies include: implementing the renegotiated collective bargaining agreements to reduce per person square footage, increasing telework, and introducing hoteling. DOL is also participating with GSA in Consolidated Portfolio Reviews (CPP) for the Chicago and National Capital Regions and will work closely with GSA in reviewing office space utilization nationwide to identify opportunities to reduce space and co-locate offices. It is through a combination of these strategies that we plan to achieve success across all of DOL to reduce our footprint nationwide.

Civil Monetary Penalty Inflation Adjustment Reporting

Table CMP 1: Civil Monetary Penalty Inflation Adjustment

Table CMP 1 below describes the Department's civil monetary penalties, their authorities, dates of inflation adjustment, if applicable, and amounts.

Bureau Name	Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level ($ Amount)
EBSA	Section 209(b): Failure to furnish information or maintain records for any plan year.	29 USC §1059(b)	1974	July 29, 1997	$11 for each employee for whom such failure occurs
EBSA	502 (l) - Penalty 1) against a fiduciary who breaches a fiduciary responsibility under, or commits a violation of, part 4 of Title I of ERISA or 2) against any other person who knowingly participates in such breach or violation.	29 USC §1132(l)	N/A (not subject to adjustment under Federal Civil Monetary Penalties Adjustment Act of 1990)	N/A(not subject to adjustment under Federal Civil Monetary Penalties Adjustment Act of 1990)	20% of applicable recovery amount
EBSA	502 (i) - Penalty against a party in interest who engages in a transaction prohibited by section 406 of ERISA with respect to either an employee welfare benefit plan or a non-qualified pension plan.	29 USC §1132(i)	N/A (not subject to adjustment under Federal Civil Monetary Penalties Adjustment Act of 1990)	N/A(not subject to adjustment under Federal Civil Monetary Penalties Adjustment Act of 1990)	5% of applicable recovery amount
EBSA	502 (c)(1) - Penalty for failure to provide plan participants requested information; penalty for failure to furnish participants notice of pension surplus transfer to health account under ERISA § 101(e), COBRA notice, annual funding notice and pension benefit statements.	29 USC §1132(c)(1)	1974	July 29, 1997	Up to $110/day/participant
EBSA	502 (c)(2) - Penalty for failure/refusal to properly file plan annual report.	29 USC 1132 (c)(2)	1987	July 29, 1997	Up to $1,100/day/violation

Bureau Name	Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level ($ Amount)
EBSA	502 (c)(3) - Penalty for failure to provide notice for failing to meet minimum funding standards; failure to notify certain person pension surplus transfers.	29 USC §1132(c)(3)	1989	July 29, 1997	Up to $110/day/violation
EBSA	502 (c)(4) - Failure to disclose certain documents to participants, beneficiaries and others as required by Pension Protection Act (PPA) disclosures (i.e., violations of ERISA §101(j), (k), and (l) and 514(e)(3).	29 USC §1132(c)(4)	1993 or 2006 (under review; prior to PPA penalty applied to certain repealed notice requirements)	N/A	Up to $1,000/day/violation
EBSA	502 (c)(5) - Failure to file annual report for Multiple Employer Welfare Arrangements (MEWAs).	29 USC §1132(c)(5)	1996	March 24, 2003	Up to $1,100/day/violation
EBSA	502 (c)(6) - Failure to provide Secretary of Labor requested documentation.	29 USC §1132(c)(6)	1997	March 24, 2003	Up to $110 /day/violation not to exceed $1,100 per request
EBSA	502 (c)(7) - Failure to provide plan participants notices of blackout periods and of right to divest employer securities.	29 USC §1132 (c)(7)	2002	N/A	Up to $100/day/participant or beneficiary
EBSA	502 (c)(8) - Failure to adopt a multiemployer Defined Benefit (DB), funding improvement, rehabilitation plan or meet benchmarks.	29 USC §1132(c)(8)	2006	N/A	Up to $1,100/day/violation
EBSA	Section 502(c)(9)(A) – Failure by an employer to inform employees of CHIP coverage opportunities under Section 701(f)(3)(B)(i)(I) – each employee a separate violation.	29 USC §1132 (c)(9)(A)	2009	N/A	Assessed against employer: Up to $100 /day/ employee
EBSA	Section 502(c)(9)(B) - Failure by a plan to timely provide to any State information required to be disclosed.	29 USC §1132 (c)(9)(B)	2009	N/A	Assessed against Plan Administrator: Up to $100 /day/

Bureau Name	Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level ($ Amount)
	under Section 701(f)(3)(B)(ii), as added by CHIP regarding coverage coordination – each participant/beneficiary a separate violation.				participant and beneficiary
EBSA	Section 502(c)(10) Failure by any plan sponsor of group health plan, or any health insurance issuer offering health insurance coverage in connection with the plan, to meet the requirements of Sections 702(a)(1)(F), (b)(3), or (3); or Section 701; or Section 702(B)(1) with respect to genetic information.	29 USC §1132 (c)(10)	2008	N/A	$100/day/participant and beneficiary for each non-compliance period Uncorrected de minimis violations - minimum penalty: $2,500 Uncorrected violations that are not de minimis – minimum penalty: $15,000 Unintentional failure maximum: $500,000
EBSA	502(c)(12) – Failure of a CSEC plan in restoration status to adopt a restoration plan.	29 USC §1132 (c)(12)	2014	N/A	Up to $100 per day
EBSA	502 (m) - Penalty against fiduciary for failure to make proper distribution for a defined benefit plan under §206(e).	29 USC §1132 (m)	1994	N/A	Penalty is equal to value of improper distribution, not to exceed $10,000 for each improper distribution
EBSA	Failure to provide SBC under PHS Act section 2715(f), as incorporated in ERISA section 715 and 29 CFR 2590.715-2715(f).	29 USC 1185d and 42 USC 300gg-15	2010	N/A	$1,000 per failure, per participant/beneficiary
MSHA	Maximum daily penalty amount.	30 CFR, Part 100	January 28, 2013	N/A	$7,500

Bureau Name	Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level ($ Amount)
MSHA	Minimum/maximum immediate notification penalty amount.	30 CFR, Part 100	January 28, 2013	N/A	$5,000 – $65,000
MSHA	Minimum/maximum regular penalty amount.	30 CFR, Part 100	January 28, 2013	N/A	$112 – $70,000
MSHA	Maximum flagrant penalty amount.	30 CFR, Part 100	January 28, 2013	N/A	$242,000
OSHA	Serious.	Occupational Safety and Health Act of 1970.	N/A	N/A	Up to $7,000 for each violation
OSHA	Other-Than-Serious.	Occupational Safety and Health Act of 1970.	N/A	N/A	Up to $7,000 for each violation
OSHA	Willful or repeated.	Occupational Safety and Health Act of 1970.	N/A	N/A	Not more than $70,000 for each violation, but not less than $5,000 for each willful violation
OSHA	Failure to abate.	Occupational Safety and Health Act of 1970.	N/A	N/A	Not more than $7,000 per day during which such failure or violation continues
OSHA	Posting requirements.	Occupational Safety and Health Act of 1970.	N/A	N/A	Up to $7,000 for each violation
OWCP	Failure to report termination of payments.	Black Lung Benefits Act, 30 U.S.C. § 932(a), incorporating 33 U.S.C. § 914(g); 20 C.F.R. § 725.621 (b), (d)	None	January 19, 2001	Maximum of $550 per instance
OWCP	Failure to secure payment of benefits.	Black Lung Benefits Act, 30 U.S.C. § 933(d)(1); 20 C.F.R. § 726.302(c)(5)	None	January 19, 2001	Maximum of $1,100 per day
OWCP	Failure to file required reports.	Black Lung Benefits Act, 30 U.S.C. § 942; 20 C.F.R. § 725.621(d)	None	January 19, 2001	Maximum of $550 per instance

Bureau Name	Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level ($ Amount)
OWCP	Failure to report termination of payments.	Longshore and Harbor Workers' Compensation Act, 33 U.S.C. § 914(g); 20 C.F.R. § 702.236	None	November 17, 1997	$110
OWCP	Failure to file first report of injury or filing a false statement or misrepresentation in first report.	Longshore and Harbor Workers' Compensation Act, 33 U.S.C. § 930(e); 20 C.F.R. § 702.204	None	November 17, 1997	$11,000
OWCP	Discrimination against employees who claim compensation or testify in a LHWCA proceeding.	Longshore and Harbor Workers' Compensation Act, 33 U.S.C. § 949; 20 C.F.R. § 702.271(a)(2)	None	November 17, 1997	Not less than $1,100, but not more than $5,500
WHD	Civil Monetary Penalty (CMP) for willful or repeated FLSA minimum wage or overtime violations.	29 USC § 216(e)(2); 29 CFR 578.3(a).	November 17, 1989	December 7, 2001	$1,100
WHD	CMP for FLSA child labor violations.	29 USC § 216(e)(1)(A)(i); 29 CFR 579.1(a)(1)(i)(A).	November 5, 1990	May 21, 2008	$11,000
WHD	CMP for FLSA child labor violations resulting in serious injury or death.	29 USC § 216(e)(1)(A)(ii); 29 CFR 579.1(a)(1)(i)(B).	N/A	May 21, 2008	$50,000
WHD	CMP for willful or repeated FLSA child labor violations resulting in a serious injury or death.	29 USC § 216(e)(1)(A)(ii); 29 CFR 579.1(a)(1)(i)(B).	N/A	May 21, 2008	$100,000
WHD	CMP for violations related to homework under the FLSA.	29 USC § 211(d); 29 CFR 530.302	N/A	November 10, 1988	$500
WHD	CMP for willful violations of the FMLA's notice requirement.	29 USC § 2619(b); 29 CFR 825.300(a).	February 5, 1993	November 17, 2008	$110
WHD	CMP for violations under the H-1B program.	8 USC § 1182(n)(2)(C)(i); 20 CFR 655.810(b)(1).	N/A	November 29, 1990	$1,000
WHD	CMP for willful violations or discrimination under the H-1B program.	8 USC § 1182(n)(2)(C)(ii); 20 CFR 655.810(b) (2).	N/A	October 21, 1998	$5,000

Bureau Name	Penalty (Name of Penalty)	Authority (Statute)	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level ($ Amount)
WHD	CMP for willful violations resulting in the displacement of a U.S worker under the H-1B program.	8 USC § 1182(n)(2)(C)(iii); 20 CFR 655.810(b) (3).	N/A	October 21, 1998	$35,000
WHD	CMP for violations under the H-2A program.	8 USC § 1188(g)(2); 29 CFR 501.19(c).	June 1, 1987	February 12, 2010	$1,500
WHD	CMP for willful violations or discrimination under the H-2A program.	8 USC § 1188(g)(2); 29 CFR 501.19(c) (1).	N/A	December 18, 2008	$5,000
WHD	CMP for a safety or health violation resulting in a serious injury or death under the H-2A program.	8 USC § 1188(g)(2); 29 CFR 501.19(c)(2).	December 18, 2008	February 12, 2010	$50,000
WHD	CMP for a willful or repeated safety or health violation resulting in a serious injury or death under the H-2A program.	8 USC § 1188(g)(2); 29 CFR 501.19(c)(4).	December 18, 2008	February 12, 2010	$100,000
WHD	CMP for failing to cooperate with an investigation under the H-2A program.	8 USC § 1188(g)(2); 29 CFR 501.19(d).	N/A	December 18, 2008	$5,000
WHD	CMP for unlawfully displacing a U.S worker under the H-2A program.	8 USC § 1188(g)(2); 29 CFR 501.19(e).	December 18, 2008	February 12, 2010	$15,000
WHD	CMP for improperly rejecting a U.S worker under the H-2A program under the H-2A program.	8 USC § 1188(g)(2); 29 CFR 501.19(f).	N/A	February 12, 2010	$15,000
WHD	CMP for violations under the H-2B program.	8 USC § 1184(c)(14); 29 CFR 503.23.	N/A	May 11, 2005	$10,000
WHD	CMP for violations under the MSPA program.	29 USC § 1853(a)(1); 29 CFR 500.1(e).	N/A	January 14, 1983	$1,000
WHD	CMP for violations of the Employee Polygraph Protection Act (EPPA).	29 USC § 2005(a); 29 CFR 801.42(a)	N/A	June 27, 1988	$10,000

The Schedule of Spending presents an overview of how and where the Department is spending its money. It is presented on a budgetary basis, the same as the Combined Statements of Budgetary Resources (SBR). Amounts shown below as "Total amounts agreed to be spent" equal amounts shown as "Obligations incurred" on the SBR.

To improve public transparency and the quality of data reported on USASpending.gov, DOL has begun reconciliation efforts between obligations reported on the financial statements and spending reported on USASpending.gov. Obligations included on the financial statements that are not included on USASpending.gov generally include: financial assistance direct payments, personnel compensation and benefits, leases, interagency agreements, travel, and training. Differences may also exist due to timing differences between obligations reported in DOL's financial reporting system and data transmitted to USASpending.gov through the Federal Procurement Data System.

(Dollars in Millions)	2015	2014
Section I – What money is available to spend?		
This section presents resources that were available to spend by the Department.		
Total resources	$ 58,137	$ 74,533
Less amount available but not agreed to be spent	(2,809)	(3,027)
Less amount not available to be spent	(639)	(1,585)
Total amounts agreed to be spent	$ 54,689	$ 69,921
Section II – How was the money spent?		
This section presents services or items purchased and grouped for the Department's major programs .		
Income maintenance		
Insurance claims and indemnities	$ 36,005	$ 44,661
Net internal transfers between DOL funds	4,248	9,064
Personnel compensation and benefits	314	308
Contractual services and supplies	414	466
Grants, subsidies, and contributions	3,721	4,394
Interest	649	774
Other	122	480
Employment and training		
Personnel compensation and benefits	263	256
Contractual services and supplies	1,723	2,002
Grants, subsidies, and contributions	4,230	4,655
Other	125	24
Labor, employment and pension standards; worker safety and health; statistics; other		
Personnel compensation and benefits	1,473	1,451
Contractual services and supplies	1,040	1,009
Grants, subsidies, and contributions	301	330
Other	62	47
Total amounts agreed to be spent	$ 54,689	$ 69,921
Section III – Who did the money go to?		
This section identifies with whom the Department is spending money based on obligations incurred.		
Individuals	$ 36,052	$ 44,746
Net internal transfers between DOL funds	4,248	9,143
States and local governments	7,120	7,367
Other federal agencies	453	2,063
Vendors and other	3,809	2,826
Employees	795	1,787
Higher Education	1,595	1,121
Non-for-profits	617	868
Total amounts agreed to be spent	$ 54,689	$ 69,921

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Office of Workers' Compensation Programs http://www.dol.gov/owcp/
Veterans' Employment and Training Service http://www.dol.gov/vets/
Wage and Hour Division http://www.dol.gov/whd/
Women's Bureau http://www.dol.gov/wb/

DOL Regulations and Enforcement

DOL Regulations Search http://www.regulations.gov
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Acronyms

AFR	Agency Financial Report
ARRA	American Reinvestment and Recovery Act
BAM	Benefit Accuracy Measurement
BLDTF	Black Lung Disability Trust Fund
BLS	Bureau of Labor Statistics
BPC	Benefit Payment Control
COLA	Cost of Living Allowance/Adjustment
CPIM	Consumer Price Index-Medical
CPI-U	Consumer Price Index-Urban
CSEOA	Community Service Employment for Older Americans
CSRS	Civil Service Retirement System
CY	Current Year
DFEC	Division of Federal Employees' Compensation
DNP	Do Not Pay
DOE	Department of Energy
DOL	Department of Labor
EB	Extended Benefits
EBSA	Employee Benefits Security Administration
EEOICPA	Energy Employees Occupational Illness Compensation Program Act
ERISA	Employee Retirement Income Security Act
ES	Employment Service
ESAA	Employment Security Administration Account
ETA	Employment and Training Administration
EUC	Emergency Unemployment Compensation
EUCA	Extended Unemployment Compensation Account
FAC	Federal Audit Clearinghouse
FAUC	Federal Additional Unemployment Compensation
FASAB	Federal Accounting Standards Advisory Board
FCI	Facilities Condition Index
FEC	Federal Employees Compensation
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement
	System
FFMIA	Federal Financial Management Improvement Act
FLSA	Fair Labor Standards Act
FMFIA	Federal Managers' Financial Integrity Act
FUA	Federal Unemployment Account
FUTA	Federal Unemployment Tax Act
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GSA	General Services Administration
HVRP	Homeless Veterans' Reintegration Program
ILAB	Bureau of International Labor Affairs
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
IT	Information Technology
JVSG	Jobs for Veterans State Grants
LPD	Lost Production Day
MSHA	Mine Safety and Health Administration
NCFMS	New Core Financial Management System
NDNH	National Directory of New Hires
NIOSH	National Institute for Occupational Safety and Health
OCFO	Office of the Chief Financial Officer
ODEP	Office of Disability Employment Policy
OFCCP	Office of Federal Contract Compliance Programs
OIG	Office of Inspector General
OJC	Office of Job Corps
OLMS	Office of Labor-Management Standards
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSHA	Occupational Safety and Health Administration
OUI	Office of Unemployment Insurance
OWCP	Office of Workers' Compensation Programs
PIV	Personal Identification Verification
PY	Prior Year/Program Year
RECA	Radiation Exposure Compensation Act
SAM	System for Award Management
SBR	Statement of Budgetary Resources
SCSEP	Senior Community Service Employment Program
SCSIA	Statement of Changes in Social Insurance Amounts
SIDES	State Information Data Exchange System
SOSI	Statement of Social Insurance
SSA	Social Security Administration
TAA	Trade Adjustment Assistance
TAACCCT	Trade Adjustment Assistance Community College and Career Training
TOP	Treasury Offset Program
UC	Unemployment Compensation
UCFE	Unemployment Compensation for Federal Employees
UCX	Unemployment Compensation for Ex-Service Members
UI	Unemployment Insurance
USC	United States Code
USERRA	Uniformed Services Employment and Reemployment Rights Act
UTF	Unemployment Trust Fund
VETS	Veterans' Employment and Training Service
WB	Women's Bureau
WHD	Wage and Hour Division
WIA	Workforce Investment Act

UNITED STATES DEPARTMENT OF LABOR

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