Strategic Goal 4: *Strengthened Economic Protections*

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

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

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

An OLMS investigation revealed that a union official had embezzled more than $50,000 from a local union. After the sentencing, during which the official was ordered to make restitution to the union, OLMS Investigator Laura Rola discussed the successful conclusion of the case with Shane Preston, a trustee of the union, and Assistant United States Attorney Richard Southwick. [Photo credit: DOL/ESA/OLMS]

For these agencies, Protecting America's workers mean protecting their economic security. DOL provides benefits and enforces laws that provide a safety net for workers and ensure transparency among the unions that protect them. Every employee faces unforeseen risks, and these Agencies work to ensure that unemployed workers receive benefits; that workers in special industries receive compensation when injured or ill; that pension contributions and health benefits are secure; and that unions deliver honest elections and financial records. DOL monitors its effectiveness using performance indicators linked to each of these unique programs. In FY 2007, DOL provided resources for the unemployed, ensured covered workers timely received their benefits, provided superior customer service on pension plan issues, and increased the transparency of union reporting.

For the Unemployed

- Nearly 70 percent of unemployed workers found jobs within months of collecting their first payment.
- DOL increased the timeliness of those first payments.

For the Injured or Ill Worker

- The backlog of claims from workers in the nuclear weapons industry, formerly handled by the Department of Energy, was eliminated, which totaled to nearly $500 million in benefits.
- Federal workers returned to work more quickly after a work-related injury or illness. Returning to work more quickly means employees received the appropriate medical care, and employers could find work that would allow them to transition back into their jobs.

For Workers with Pensions

- Significantly more employers suspected of violating pension laws were going to be prosecuted.
- More employers volunteered to participate in programs designed to ensure compliance with pension laws, further protecting workers' funds from possible violations.

For Union Members

- **Financial reporting among unions continued to improve, and indications of fraud remained low.**

These national results are realized by delivering excellent service and careful consideration to each worker's claim and situation. The vignettes below and throughout this section link Strategic Goal Four to the people we serve. For more specific information on the programs, see the Performance Goal narratives.

Representatives from the Paducah Resource Center (Valerie-right) and Jacksonville District Office (Ginger-left) of DOL's Energy Employees Occupational Illness Compensation Act Program (EEOICPA) provide program information at the Kentucky Governor's Health and Safety Conference in Louisville – an annual meeting of labor, management, State and Federal government representatives. The event provided an excellent opportunity to educate the participants about the EEOICPA program and to improve the agencies' information-sharing with DOL and their assistance to covered workers. [Photo Credit: OWCCP/ESA]

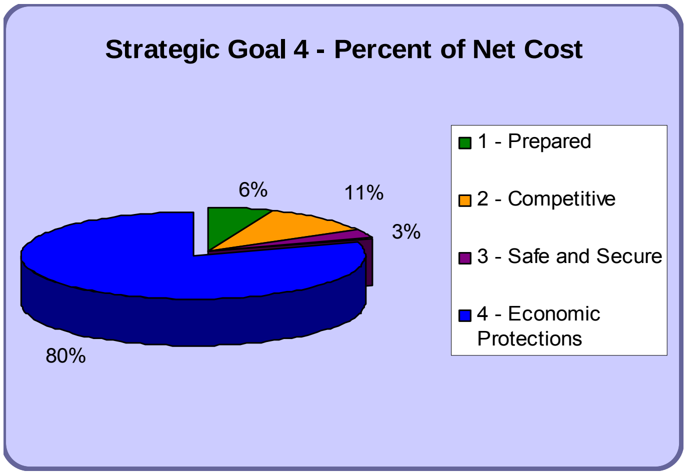
The following table provides key information, goal statements, and achievement for DOL performance goals associated with this strategic goal.

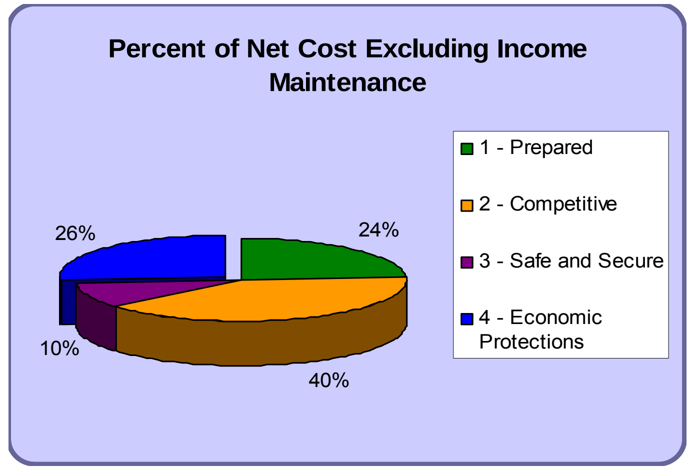
Goal (Agency) and Statement	Performance Summary	Net Cost (millions)[34]		
		FY 2005	FY 2006	FY 2007
07-4A (ETA) Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up unemployment tax accounts promptly for new employers.	Goal not achieved. Two targets reached, one improved and one not reached.	$34,243	$33,340	$34,697
07-4B (ESA) Reduce the consequences of work-related injuries.	Goal substantially achieved. Eight targets reached and one not reached.	6,131[35]	2,130	3,554
07-4C (ESA) Ensure union financial integrity, democracy and transparency.	Goal substantially achieved. One target reached and two improved.	63	56	68
07-4D (EBSA) Enhance pension and health benefit security.	Goal achieved. All three targets reached.	160	179	176
07-4E (PBGC)[36] Improve the pension insurance program.	Goal substantially achieved. Five targets reached and one improved.	–	–	–
Total for Strategic Goal 4	**One goal achieved, three substantially achieved and one not achieved.**	**$40,597**	**$35,705**	**$38,495**

The net cost dedicated to Strategic Goal 4 in FY 2007 was $38.495 billion. The first chart below is based on total Departmental costs of $47.872 billion; the second is based on an adjusted net cost of $12.771 billion

34 Net cost as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis.
35 This anomaly is explained in the Analysis and Future Plans section of the Performance Goal 07-4B narrative.
36 PBGC is not included in the Consolidated Statements of Net Cost; hence the cost of its programs is not reflected here.

that excludes the major non-discretionary program costs associated with this goal.[37] The adjusted net cost dedicated to Strategic Goal 4 for FY 2007 was $3.394 billion; the corresponding net cost in FY 2006 (restated to reflect current goal structure) was $3.491 billion.





EBSA investigated an Oakland, Maryland company's self-funded health plan after receiving a participant complaint that there were unpaid health claims. DOL found that the company had gone out of business, filed bankruptcy and did not pay health claims for seven months. As a result of the investigation, the company forwarded $285,197 to the third party administrator to pay the unpaid claims.

A widow was being denied her life insurance and survivor pension benefits and over a period of four months tried, without success, to have her claims addressed. Without the benefits, she was unable to pay her debts, including funeral expenses for her late husband, and was being pursued by creditors. After she contacted the Department, an EBSA Benefits Advisor contacted her plan administrator and was instrumental in securing payment of her late husband's $32,750 life insurance benefit and her survivor pension. As a result of this intervention, she was able to pay her debts.

[37] The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment ($32.051 billion) plus disability benefit payments to individuals who suffered injury or illness on the job ($3.050 billion).

Pay Unemployment Insurance Claims Accurately and Promptly

Performance Goal 07-4A (ETA) – FY 2007

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

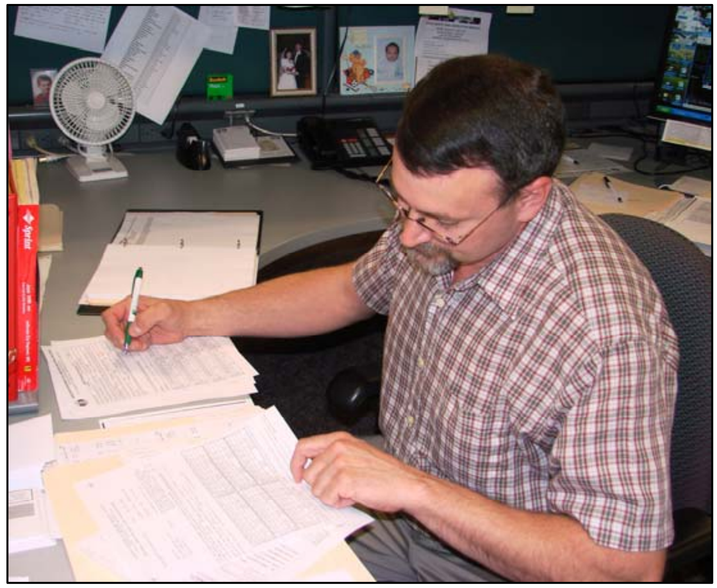
Indicators, Targets and Results							
*Indicator target reached (Y), improved (I), or not reached (N) **Estimated Some indicators not shown for FY 2002-05 – see Legacy Data note below		FY 2002 Goal Not Achieved	FY 2003 Goal Not Achieved	FY 2004 Goal Not Achieved	FY 2005 Goal Not Achieved	FY 2006 Goal Not Achieved	**FY 2007 Goal Not Achieved**
Percent of intrastate first payments made within 21 days	Target	91%	91%	89.2%	89.9%	89.9%	**90.0%**
	Result	88.7%	89%	90.3%	89.3%	87.6%	**88.4%****
	*	N	N	Y	N	N	**I**
Percent of the amount of estimated detectable/recoverable overpayments that the States can establish for recovery	Target	—	59%	59%	59.5%	59.5%	**60.0%**
	Result	—	54%	57.4%	58.7%	62.1%	**55.4%****
	*	—	N	N	N	Y	**N**
Percent of UI claimants who were reemployed by the end of the first quarter after the quarter in which they received their first payment	Target	—	—	—	—	baseline	**65.0%**
	Result	—	—	—	—	62.4%	**67.9%****
	*	—	—	—	—	Y	**Y**
Percent of new employer liability determinations made within 90 days of the end of the first quarter in which liability occurred	Target	80%	80%	82.2%	82.4%	82.5%	**82.8%**
	Result	81.7%	83%	83.6%	82.4%	83.7%	**84.7%****
	*	Y	Y	Y	Y	Y	**Y**
Goal Net Cost (millions)		—	—	—	$34,243	$33,340	**$34,697**
Source(s): Payment Timeliness: 9050, 9050p. Reports Payment Accuracy: Benefit Accuracy Measurement (BAM) program and ETA 227 report. Facilitate Reemployment: ETA 9047 Report. New Status Determinations Timeliness: ETA 581 report							
Legacy Data: Complete indicators, targets and results for FY 2002-05 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 06-2.2B.							
Note: Costs for this goal are net costs as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis. Approximately $2 billion of the net cost is for administration; the rest is for benefit payments to individuals. Costs are not allocated to the indicator level because performance indicators do not map to administrative cost categories or benefit payments. See Analysis and Future Plans section in the following narrative.							

Program Perspective and Logic

By temporarily replacing part of unemployed workers' lost wages, the Federal-State Unemployment Insurance (UI) system minimizes individual financial hardship due to unemployment and stabilizes the economy during economic downturns. For both workers and employers, the system's success depends on the timely payment of benefits, prevention or prompt detection of erroneous payments, timely establishment of new employers' tax accounts to ensure the reporting of workers' wages and payment of taxes to fund benefits, and promoting and facilitating workers' return to suitable work. States operate their own programs under their own laws, which must conform to and substantially comply with Federal law. As the Federal partner, DOL provides program leadership, allocates administrative funds, provides technical assistance, and exercises performance oversight to ensure that State partners meet Federal UI laws and regulations. Measuring efficiency and effectiveness of States' administrative operations is an important aspect of program management.

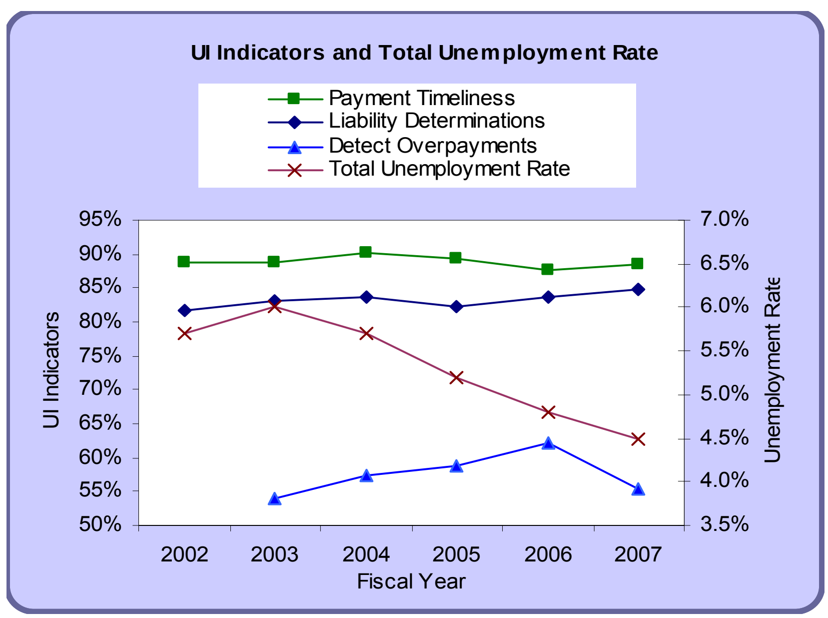
Economic conditions and resulting workloads affect many aspects of the UI system performance. For example, when unemployment rises, more claims are filed and UI payment timeliness generally declines. On the other hand, when new business creation slows, it reduces the number of new employer tax accounts and the timeliness of tax liability determinations generally goes up. In addition, external factors can be extensive enough to affect aggregate UI system performance negatively (for example, the series of hurricanes that hit the Gulf region during 2005). Performance targets are based on the Administration's current economic assumptions.

Robert and his colleagues at the Missouri Division of Employment Security implemented the National Directory of New Hires (NDNH) in January 2006 to detect whether persons receiving unemployment insurance benefits have returned to work with a new employer virtually anywhere in the country. In the first year of use, the NDNH helped Missouri detect 5,459 overpayments worth over $3.7 million. The NDNH facilitates earlier detection of individuals who have returned to work but are unlawfully collecting unemployment insurance. In the first year of usage, the average overpayment detected through the NDNH is less than the total average overpayment – indicating earlier detection and cessation of wrongful benefit payments. The average overpayment established in 2006 using all methods of detection was $801 while the average overpayment from NDNH detection was $680. [Photo credit: Tammy Cavender]



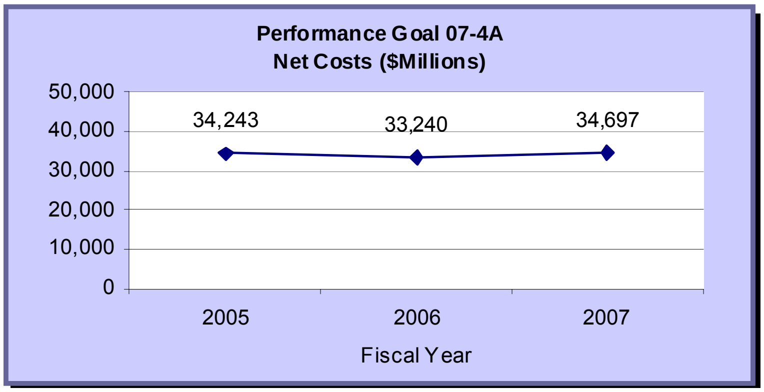
Analysis and Future Plans

The goal was not achieved. As economic conditions remained strong, the number of unemployment insurance beneficiaries declined slightly from 7.4 million to 7.3 million between FY 2006 and FY 2007. UI met two of its four key performance targets, those for claimant reemployment and timely liability determinations. Performance on the timely first payment indicator improved from the FY 2006 level of 87.6 percent, but remained below the 90 percent target. About a quarter of the improvement was due to recovery in performance in three of the States affected by the 2005 hurricanes. If all 10 States whose performance was below the Secretary of Labor's standard of 87 percent in 2007 had reached it, the 90 percent target would have been met. As part of the State Quality Service Plan, those 10 States have corrective action plans to attain the standard in FY 2008.



After exceeding the Detection of Overpayment target (calculated by dividing overpayments established by estimated recoverable overpayments) of 59.5 percent in 2006, the system fell almost five points below the 60 percent target in 2007. The chief reason was a 12 percent increase in the estimated recoverable overpayments – due in part to improvements made in the ability of the Benefit Accuracy Measurement System to detect overpayments – while overpayments established remained virtually unchanged from 2006. DOL is continuing its vigorous efforts to reduce the principal causes of overpayments by promoting and facilitating States' connection with the National Directory of New Hires (NDNH), training in adjudication of eligibility issues, and increasing the number of Reemployment and Eligibility Assessments (REA) programs funded – pending additional funding.

In FY 2007, the UI system costs were $1.357 billion higher than in FY 2006. Benefit payments, which rose five percent to $32.051 billion in FY 2007 from $30.506 billion in FY 2006, accounted for the increase. Administrative costs actually fell by seven percent, from $2.834 billion to $2.646 billion. DOL collects information on State spending of UI grant funds; however, the categories in which cost data are collected are generally functional or workload categories – initial claims, continued claims, eligibility determination, appeals, employer accounts, tax audits, overhead, and infrastructure costs such as space and information technology. These categories do not align well with UI performance measures, which span multiple functions. For example, the cost of timely first payments would include some portion of the costs attributable to initial claims, eligibility determinations, employer accounts, tax audits, and a share of overhead and infrastructure costs. Therefore, separating costs by performance indicator is not currently feasible.



PART, Program Evaluations and Audits
The UI system underwent a PART review in 2003 and received a rating of *Moderately Effective*. The improvement plan includes a recommended greater use of the NDNH to quickly detect and prevent overpayments to claimants who have returned to work. In 2007, 35 States were matching against NDNH, and in 2008, all States will be required to do so. The improvement plan also included a recommendation to fund REA programs for 19 States in 2007 in order to enforce continuing eligibility for UI benefits and connect claimants with reemployment services.

Two recent studies evaluated the implementation and operation of the worker profiling initiative, adequacy of program reporting, and accuracy of States' models to predict benefit exhaustion among UI claimants. Both identified best practices. Among the actions taken to address the recommendations, ETA is training State staff to evaluate profiling data, updating policy direction, and offering technical assistance to poor-performing States.

"Unemployment Insurance: More Guidance and Evaluation of Worker-Profiling Initiative Could Help Improve State Efforts," June 2007 (GAO)
Purpose: In Report No. GAO-07-680, GAO evaluated the effectiveness of the worker profiling initiative – a program designed to determine UI claimants most likely to exhaust their benefits and refer them to reemployment services – in terms of its implementation and its effect on duration of unemployment.
Major Findings: 1) The broad guidelines established by DOL for States on the design and maintenance of profiling models have been inadequate. 2) Many States' profiling models are outdated; many models may have lost predictive accuracy, resulting in inappropriate referrals to employment services or missing the opportunity to make an appropriate referral. 3) National data on worker profiling are of limited usefulness.
Recommendations: 1) ETA needs to take a more active role to ensure the accuracy of the State profiling models. 2) Evaluate the impact of the worker-profiling program on the reemployment of UI recipients to ensure the benefits are commensurate with the resources invested.

Actions Taken and Remaining: 1) DOL is developing training for State staff in evaluation of profiling data and will market its technical assistance in profiling model use/improvement more aggressively to States. 2) DOL will consider, if resources permit, an evaluation of the impact of the worker-profiling initiative.
Additional Information: Report No. GAO-07-680 is available at http://www.gao.gov/new.items/d07680.pdf.
"Worker Profiling And Reemployment Services: Evaluation of State Worker Profiling Models," March 2007 (Coffey Communications)
Purpose: To evaluate how well existing State worker profiling models predict UI benefit exhaustion and identify best practices for designing, operating, and maintaining such models.
Major Findings: 1) State profiling models are generally effective tools for targeting reemployment services, but their effectiveness varies. Those employing statistical models appear to be most effective. 2) Many States have not updated or revised their models since they were first developed in the late 1990s.
Recommendations: 1) More effective statistical modeling methods are needed for building profiling models. 2) States and DOL should employ statistical controls that take into account the services claimants have received when evaluating the effectiveness of profiling models.
Actions Taken and Remaining: DOL will contact States that have demonstrated poor model performance to offer technical assistance for updating or revising their models. The report's recommendations will be used to further develop specific guidance to States on evaluating, improving and maintaining their profiling models.
Additional Information: The report is available at http://wdr.doleta.gov/research/keyword.cfm?fuseaction=dsp_resultDetails&pub_id=2346&mp=y

Data Quality and Major Management Challenges
Data quality for this performance goal was rated *Very Good*. Strengths of the data include timeliness and reliability, which result from the use of consistent data collection and reporting methods. Quality controls and procedures for verifying program data could be strengthened to reduce instances of overpayment and worker misclassification by assuring that definitions are uniformly applied among the States and that performance data are correctly reported. ETA is implementing an updated automated validation system.

Reducing improper payments and improving the integrity and solvency of the UI program remain among the Department's top management challenges (see item IV, *Safeguarding Unemployment Insurance*, in the Major Management Challenges section of Management's Discussion and Analysis). ETA is aggressively addressing the two leading causes of overpayments - individuals who claim benefits after returning to work and issues involving separation from work – by promoting use of the NDNH and sponsoring related training (for 400 State adjudication staff by the end of FY 2008). To improve the accuracy of the overpayment detection measure, all States are required to cross-match Benefit Accuracy Measurement System audits with NDNH data by no later than January 2008. Unemployment Trust Fund solvency has improved; as of July 2007, no State had an outstanding loan from the Federal UI Trust Fund. Most States' Trust Fund accounts had a positive cash flow over the last 12 months, and overall Trust Fund balances are projected to be at least 15 percent higher than in 2006.

Reduce the Consequences of Work-Related Injuries

Performance Goal 07-4B (ESA) – FY 2007

Reduce the consequences of work-related injuries.

Indicators, Targets and Results							
*Indicator target reached (Y), improved (I), or not reached (N) **Estimated Some indicators not shown for FY 2002-06 – see Legacy Data note below		FY 2002 Goal Not Achieved	FY 2003 Goal Substantially Achieved	FY 2004 Goal Substantially Achieved	FY 2005 Goal Substantially Achieved	FY 2006 Goal Achieved	**FY 2007 Goal Substantially Achieved**
Lost production days rate (per 100 employees) for Federal Employees' Compensation Act (FECA) cases of the United States Postal Service	Target	115	130	146	148	146	**129.8**
	Result	131	143	147	135	142	**135.7****
	*	N	N	N	Y	Y	**N**
	Cost	—	—	—	—	$7	**$7**
Lost production days rate (per 100 employees) for FECA cases of All Other Government Agencies	Target	55	54.7	55.4	61	60	**49**
	Result	54	55	61.9	56	52.2	**44.9****
	*	Y	N	N	Y	Y	**Y**
	Cost	—	—	—	—	$7	**$7**
Savings resulting from Periodic Roll Management case evaluations ($million)	Target	$19	$20	$18	$17	$13	**$8**
	Result	$26	$25	$24	$23	$16	**$17.1**
	*	Y	Y	Y	Y	Y	**Y**
	Cost	—	—	—	—	$20	**$34**
The rate of change in the indexed cost per case of FECA cases receiving medical treatment remains below the nationwide health care cost trend	Target	—	+9.1%	+8.8%	+8.8%	+8.7%	**+8.5%**
	Result	—	-2.8%	+2.4%	+2.8%	+6.3%	**+7.2%**
	*	—	Y	Y	Y	Y	**Y**
	Cost	—	—	—	—	$22	**$39**
Targets for five communications performance areas	Target	—	baseline	3	3	4	**4**
	Result	—	5	4	3	4	**4**
	*	—	Y	Y	Y	Y	**Y**
	Cost	—	—	—	—	$7	**$12**
Average days required to resolve disputed issues in Longshore and Harbor Worker's Compensation Program contested cases	Target	242	279	273	245	250	**248**
	Result	285	266	247	254	235	**230**
	*	N	Y	Y	N	Y	**Y**
	Cost	—	—	—	—	$6	**$6**
Average number of days to render a decision on a claim for Black Lung benefits	Target	—	—	—	—	—	**247**
	Result	—	—	—	—	—	**224**
	*	—	—	—	—	—	**Y**
	Cost	—	—	—	—	$24	**$26**
Average number of days to process initial claims for Energy Employees Occupational Illness benefits	Target	—	—	—	—	—	**baseline**
	Result	—	—	—	—	—	**252**
	Cost	—	—	—	—	$155	**$185**

Indicators, Targets and Results							
*Indicator target reached (Y), improved (I), or not reached (N) **Estimated Some indicators not shown for FY 2002-06 – see Legacy Data note below		FY 2002 Goal Not Achieved	FY 2003 Goal Sub-stantially Achieved	FY 2004 Goal Sub-stantially Achieved	FY 2005 Goal Sub-stantially Achieved	FY 2006 Goal Achieved	**FY 2007 Goal Sub-stantially Achieved**
Percent of Final Decisions in the Part B and Part E Energy Program processed within 180 days (hearing cases) or 75 days (all other cases)	Target	—	—	—	—	80%	**85%**
	Result	—	—	—	—	89%	**87.5%**
	*	—	—	—	—	Y	**Y**
	Cost	—	—	—	—	$16	**$18**
Percent of Part E claims backlog receiving initial decisions	Target	—	—	—	—	75%	**100%**
	Result	—	—	—	—	85%	**100%**
	*	—	—	—	—	Y	**Y**
	Cost	—	—	—	—	—	—
Goal Net Cost (millions)		—	—	—	$6,131	$2,130	**$3,554**
Source(s): FECA Integrated Federal Employees' Compensation System; Federal agency payroll offices; Office of Personnel Management employment statistics; FECA Central Medical Bill Processing system; Milliman USA Cost Index Report; FECA Tele-communications system standard reports; FECA district office and national MIS reports; Longshore Case Management System; Black Lung Automated Support Package; and Energy Program Case Management System.							
Legacy Data: Complete indicators, targets and results for FY 2002-06 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 06-2.2B.							
Note: Goal Net Cost includes DOL/OWCP program administration, Black Lung Trust Fund interest payments, and OWCP disability benefits. Individual indicator costs include only direct administrative costs for the workload outputs measured for the indicator results. FY 2006 costs, but not performance data, are shown for the Black Lung and Energy program initial claims indicators because they are only slightly different measures of the same processes.							

Program Perspective and Logic

DOL protects workers, their dependents and survivors from the economic effects of work-related injuries and illnesses by providing wage replacement and cash benefits, medical treatment, vocational rehabilitation and other benefits through four disability compensation programs:

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

Activities of the Employment Standards Administration's Office of Workers' Compensation Programs (OWCP) emphasize adjudicating claims and paying benefits accurately and timely, efficiently mediating disputed claims, assisting with injury recovery and return to work, controlling costs, providing responsive informational and other assistance to customers, and assisting employers with regulatory compliance and program administration. OWCP examines the relationships among investments, activities and program results to allocate funds to achieve program goals.

Ten performance indicators measure the outcomes of key OWCP strategies and program priorities. Lost production rates determine the effectiveness of FECA's case management. Periodic Roll Management generates benefit cost savings through the careful review of cases to determine if continued disability status is warranted and to determine the reemployment potential of those currently receiving compensation. FECA also measures medical benefit cost containment in order to maintain financial integrity. Communications goals promote improved customer services by increasing accessibility, quality, and responsiveness. By reducing the average processing time for disputed claims, Longshore contributes to its chief outcome of resolving claims appropriately and equitably at minimum cost to all parties. The Black Lung program measures average time to render claims decisions and its efficiency in producing quality decisions. Prioritizing claims processing accuracy and timeliness, and reduction of the backlog of cases inherited from the Department of Energy have improved the efficiency of the EEOIC program.

Several external factors challenge the achievement of the OWCP program mission. The number and type of jobs available are driven by employment and business technology trends. These trends determine the availability of jobs and their skill requirements for injured workers trying to return to duty. Changes in the physical demands and exposures associated with today's jobs are changing the nature of new injury cases and the type of assistance they require. The cost of medical care continues to rise with the expanded use of new technology, medicines and treatment procedures. The nation's expanded use of private contractor resources to support the wars in Iraq and Afghanistan has accelerated the number of deaths and injuries compensable under the Defense Base Act and the War Hazards Compensation Act. New technologies and higher customer expectations continue to challenge OWCP to provide greater information at higher access speeds. The EEOIC program structure mandates that certain cancer claims be transferred to the Department of Health and Human Services' National Institute for Occupational Safety (NIOSH). Length of processing times in these cases impacts EEOIC program performance.

Analysis and Future Plans

In FY 2007, DOL substantially achieved this performance goal. The following discussion is organized into three categories: Return to Work, Containing Program Costs, and Customer Service.

Returning Injured Employees to Work

With more effective Quality Case Management, FECA reduced average lost production days as measured for first-year FECA wage-loss cases by five percent and increased the number of cases returned to work with nurse assistance by nearly one-third. This work, combined with continuing declines in new Federal injury cases, enabled FECA to reach its lost production days (LPD) target for all other government agencies (excluding the U.S. Postal Service (USPS)). However, the lost production days target for the USPS was not reached after two successful years of meeting that goal. The number of USPS claims remained constant from the prior year while opportunities for reemployment to light duty in that agency decreased, particularly as more job functions are automated. As a result, DOL is examining strategies targeted to the USPS claimant population through its case management and vocational rehabilitation activities.

The Administration also has proposed legislation to reform and update the FECA program, which would build return-to-work incentives into the Federal Employees' Compensation Act. The enhanced Act would contribute to FECA's effectiveness as a leader in the field, particularly with initiatives such as Safety, Health and Return-to-Employment (SHARE). In 2006, President Bush extended the SHARE initiative for three years. Originally launched in 2004 and scheduled to run for three years, SHARE has helped the Federal government make great strides in reducing injury and illness case and lost production day rates, and substantially improve timely filing of injury and illness notices. The Secretary of Labor leads the SHARE initiative and measures the performance of each Federal department and agency against the goals. In FY 2006, President Bush extended the SHARE initiative for three years.

Containing Program Costs

Measured in financial terms, DOL workers' compensation outcomes reflect the efficiency and quality of benefit payment activities and the impact of case management and benefit services. DOL reached its FY 2007 Periodic Roll Management (PRM) savings goal of $17 million through directed review of long-term disability cases. Through PRM, DOL has saved over $1 billion since FY 1999. DOL's goal for medical costs was also reached as costs were contained below the national rate of health care inflation, as measured by the Milliman USA Health Cost Index. In the past year, average FECA medical treatment costs rose by 7.2 percent compared to a projected 8.5 percent for the Nation's average. FECA effectively manages cost through centralized bill processing, strengthened reviews of treatment authorization requests, fee schedules, and stronger automated edits and other controls. Since FY 2000, the growth rate for FECA medical costs has remained below the nationwide rate, resulting in nearly $31 million savings annually.

Customer Service
DOL continued to improve communications service levels in the FECA program by reducing average caller hold times, resolving more inquiries at the time of the call, reducing the average time to return calls, and meeting call handling quality standards. The Longshore program has met its ambitious target to timely resolve disputed issues in contested cases four of the last five years, reducing the number of days to resolution by over 15 percent during that time. The Longshore program attributes this success to its commitment to ensuring timely and amicable dispute resolutions in contested cases through effective mediation. Longshore will continue conducting outreach and working closely with parties to contested cases in order to reach a timely resolution.

OWCP exceeded the goal to reduce average processing time to render decisions on Black Lung benefits claims. Black Lung consistently outperforms its targets; therefore, in FY 2008 a refined measure will capture new improvements in claims adjudication activities.

The Black Lung offices in Parkersburg, WV and Columbus, OH participated in a Coal Miners' Health Fair on April 27, 2007, in Martin's Ferry, Ohio. The Health Fair was sponsored by the Respiratory and Occupational Lung Disease Clinic at East Ohio Regional Hospital, a clinic funded in part by the Department of Health and Human Services. Over 100 miners and family members from Ohio and West Virginia attended, and several DCMWC employees were on hand to assist claimants in filing their claims and to answer their questions about the claims process. This photo shows coal miner Leonard of Wheeling, WV being assisted with his claim by claims examiner Matthew of the Parkersburg office. Matthew is a Veteran and recently returned from a tour of duty in Iraq with the US Army. [Photo credit: DOL/ESA]

Elimination of the case backlog inherited from the Department of Energy has been a major priority and challenge for the EEOIC program due to the complexity of additional covered exposures, illnesses, and benefit provisions under Part E, the section of the Act that covers these particular cases. EEOIC successfully reached 100 percent of initial decisions on Part E backlog claims. The program also established a baseline for processing initial decisions and achieved its target for processing final decisions on all claims. OWCP has made substantial progress on EEOIC wage-loss and impairment claims processing, continued its comprehensive quality review process, and is pursuing an outreach program to educate claimants and solicit their feedback on program services.

A large proportion of the change in costs for this performance goal from FY 2005 to FY 2007 is due to actuarial liabilities incurred for benefits under the Energy Part E program, which Congress transferred to DOL from the Department of Energy. In FY 2005, Energy Part E assumed an initial $3.5 billion in benefit liabilities. In FY 2006, Part E liabilities were reduced by $500 million and in FY 2007 they increased by $500 million. Consequently, costs in FY 2007 compared to FY 2006 were higher by $1 billion. The remainder of the rise in costs consists primarily of a $300 million (7.3 percent) increase in OWCP benefit payments.

PART, Program Evaluations and Audits
As noted below, all OWCP divisions have been reviewed using the PART and are working on their respective improvement plans. The EEOIC Program underwent its first PART review in 2007 and received an *Adequate* rating. A recommendation was that OWCP work with the National Institute for Occupational Safety and Health to develop performance measures and report that performance against EEOIC goals. The assessment also advised that DOL conduct an independent, comprehensive evaluation of the program and improve coordination of the EEOIC program with State workers' compensation systems.

The FECA Program received a PART rating of *Moderately Effective* in 2004. DOL worked with Congress on reforms to FECA to update the benefit structure, allow for the adoption of State best practices, and convert benefits for retirement-age individuals to a typical retirement level. OWCP implemented recommendations of an independent evaluation and identified best practices for early case intervention and improved return-to-work assistance. The recently implemented electronic case management system will play an important role in supporting business process improvements that are sustainable and will result in increased efficiency.

In 2003, the Black Lung Program received a rating of *Moderately Effective*. Entering its fourth year since the assessment, the Black Lung program has demonstrated significant progress on its PART improvement plan. An independent evaluation (see report outline below) provided recommendations for improving performance measurement, thereby addressing the need for an evaluation and more ambitious performance goals. The program will begin reporting on a cost index for its medical cost containment goal in 2008, a noteworthy addition for better managing cost as well as a goal of reducing the average time to make a claims decision. The purpose of the cost containment measure is to maintain Black Lung medical costs at or below a nationwide comparable trend, the National Health Expenditure published by the Centers for Medicare and Medicaid.

The Longshore Program underwent its PART review in FY 2005 and was rated *Adequate*. The PART found consistent progress in achieving its performance goals, but a lack of comprehensive data to gauge the program's effectiveness and efficiency. Recommendations included: Identifying needed reforms to strengthen the Longshore and Harbor Workers' Compensation Act (LHWCA), evaluating automated system alternatives for tracking employer and carrier benefit delivery services and to allow comparisons of Longshore to similar programs, and evaluating recent efforts to improve processes and controls in the program's disbursement system. An independent evaluation of the program's effectiveness and efficiency will conclude at the end of FY 2007. DOL will then evaluate the recommendations, which will include possible improvements to the Longshore Case Management System.

"OWCP Licensing and Confidentiality Procedures for Contract Nurses," September 2006 (OIG)
Purpose: This audit was conducted in response to a complaint from a former OWCP contract nurse whose allegations included noncompliance with nurse licensure policies and unnecessary access to confidential medical records.
Major Findings: 1) Consistent license verification can reduce OWCP's risk of not timely identifying license restrictions or the failure to renew licenses. 2) OWCP communications with claimants do not state the claimant's level of responsibility for notifying medical providers regarding nurse access to medical information and claimants were not notified when contract nurses were no longer actively assigned to them.
Recommendations: 1) Establish and implement policies and procedures for verification of licenses to determine renewal and good standing at regular intervals for its contract nurses. 2) Establish practices to clearly and consistently communicate with claimants delineating their responsibilities so that contract nurses do not have unnecessary access to confidential medical records.
Actions Taken and Remaining: In January 2007, the OIG was provided a copy of the procedures implemented by OWCP to address both of the recommendations. There are no actions remaining.
Additional Information: A copy of the report can be obtained at http://www.oig.dol.gov/public/reports/oa/2006/02-06-207-04-431.pdf.
"Report Relating to the Federal Employees' Compensation Act Special Benefit Fund," October 2006 (OIG)
Purpose: This schedule has been prepared to report the actuarial liability, net intra-governmental accounts receivable, and benefit expense of the FECA Special Benefit Fund.
Major Findings: The benefit expenses for the year ending September 30, 2006, was comprised of the following (dollars in thousands): a) Benefits paid for compensation = $1,814,705 b) Benefits paid for medical benefits = $694,588

c) Change in accrued benefits = $(21,370)
d) Change in actuarial liability = $(156,188)
e) Total benefit expense = $2,331,735

Recommendations: None made

Actions Taken and Remaining: Not applicable

Additional Information: A copy of the report can be obtained at http://www.oig.dol.gov/public/reports/oa/2007/22-07-002-04-431.pdf.

"Findings and Recommendations Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2006," May 2007 (OIG)

Purpose: The objective of the audit was to express an opinion on the fair presentation of DOL's consolidated financial statements.

Major Findings:
1) Weaknesses noted in the change control process for a benefits system.
2) Weaknesses noted in Federal Employees' Compensation Act (FECA) accounting and financial reporting.
3) Delinquent forms CA-1032, Request for Information on Earnings, Dual Benefits, Dependents and Third Party Settlement Form

Recommendations:
1) Coordinate efforts with the ESA to develop and/or enforce procedures and controls to address change control weaknesses.
2) Develop and implement quarterly ESA procedures to adequately reconcile the FECA history databases to the charge-back reports.
3) Utilize the PER screen within iFECS to track CA-1032 status and document their receipt and review using a system configuration or manual control.
4) Require supervisory review of CE receipt and review of CA-1032 forms.

Actions Taken and Remaining:
1) The iFECS POA&M has been updated to include the change control weakness. Additionally, ESA has documented and implemented a standard process for requesting, reviewing, developing, testing, and approving changes to iFECS.
2) OWCP's management developed and implemented reconciliation procedures to ensure that there is no material difference between charge-back reports and the payment histories. The procedures were completed June 15, 2007, in preparation for the reconciliation after the close of the charge-back year. The reconciliation was completed August 5, 2007.
3) A bulletin requiring use of the PER was issued on 12/31/06.
4) To accomplish appropriate review the program has maintained compliance with accountability reviews and other performance management tools.

Additional Information: A copy of the report can be obtained at http://www.oig.dol.gov/public/reports/oa/2007/22-07-001-13-001.pdf

"Evaluation of the Efficiency and Effectiveness of the Black Lung Program," June 12, 2007 (ICF International)

Purpose: To assess the efficiency and effectiveness of the program according to six performance measures and as compared to three other similar workers' compensation programs.

Major Findings: The program is operating at a high level of efficiency and effectiveness.

Recommendations:
1) Establish national program performance objectives.
2) Strengthen and expand national program data collection and analysis.
3) Consider implementing various procedural and process improvements.
4) Develop a formal training process for staff and personnel planning.
5) Conduct a customer and stakeholder satisfaction survey.

Actions Taken and Remaining:
1) The Black Lung Program has established national performance objectives for the appointment and monitoring of representative payees. In FY 2008 it will streamline and tighten its timeliness goals for claims adjudication.
2) The Black Lung Program is expanding its data collection to include more information about accounts receivable

from coal mine operators, and is considering other ICF recommendations regarding data collection.
3) The Black Lung Program has included ICF proposals during its accountability review process and will finalize this process early in FY 2008.
4) The Black Lung Program will consider ICF's recommendations concerning staff training and personnel planning in FY 2008 and beyond.
5) The Black Lung Program plans to conduct customer satisfaction surveys of stakeholder segments in FY 2008.

Additional Information: A copy of the complete report can be obtained from the Office of Workers' Compensation Programs, Employment Standards Administration, U.S. Department of Labor, FPB N3464, 200 Constitution Avenue, NW, Washington, D.C. or by calling 202-693-0047.

"Evaluation of DEEOIC's Part B Cancer Claims Adjudication Process," May 30, 2007 (ICF International)

Purpose: To evaluate the Division of Energy Employees Occupational Illness Compensation (DEEOIC) adjudication process for cancer claims under Part B of the EEOICPA and compare its processes and certain identified impacts to adjudication of cancer claims in three other workers' compensation programs.

Major Findings: Research on comparison programs revealed substantial diversity of program structures and processes, performance measurement and reporting capabilities, types of performance data collected, and scale of cancer claims adjudication. Based on the careful consideration of these factors, it was determined that a direct comparison of the programs to DEEOIC would not result in meaningful conclusions; however, the research process did identify certain promising practices being used in other programs and reinforced the value of some of DEEOIC's existing practices, as well as its performance monitoring infrastructure and systems.

Recommendations:
1) Consider process improvements and oversight mechanisms to enhance external partnerships
2) Explore new dose reconstruction methodologies as a means to expedite the process
3) Expand the use technology to streamline operations among District and National offices
4) Develop long-term staff training

Actions Taken and Remaining:
1) DEEOIC plans to conduct a comprehensive program evaluation once pending GAO and OIG reports are completed.
2) DEEOIC is working with NIOSH to establish the performance standards required under the PART evaluation.
3) A Unified Energy Case Management System project is already expanding the use of technology among District and National Offices.
4) OWCP is in the process of developing comprehensive training for staff.

Additional Information: A copy of the complete report can be obtained from the Office of Workers' Compensation Programs, Employment Standards Administration, U.S. Department of Labor, FPB C3321, 200 Constitution Avenue, NW, Washington, D.C. or by calling 202-693-0081.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated *Excellent*, reflecting OWCP's long history of managing workers' compensation case record data and benefit payment histories. Performance measurement, also a long-standing fixture in OWCP, relies primarily upon data extracted from internal automated case management and benefit payment systems. Outside sources, including other Federal agencies and the nationally known research institute, Milliman USA, also provide performance data. OWCP maintains strict oversight of data entry into its internal systems, with regular on-site review by local managers and formal periodic reviews that check the quality of the claims data record. Other quality tools include extensive checks and edits built into Automated Data Processing system programming, second-tier certifications of claims and payment decisions, telephone call monitoring, and ongoing performance reviews by district management. Multiple OWCP analytical staff collaborate in the report production, data collection and results measurement processes. Performance results are reviewed frequently, in formal sessions, by OWCP management.

OIG considers aspects of FECA program design and operation to be Departmental and government-wide major management challenges. DOL is spearheading efforts to make FECA more cost-effective through the SHARE initiative (see item V in the Major Management Challenges section of Management's Discussion and Analysis). As noted earlier, the SHARE initiative has been extended for another three years to FY 2009. Coordinating with OSHA, FECA has updated the initiative's government-wide goals, publicized the initiative's objectives and sharpened agency participation, and continues to track agency performance. Complementing administrative strategies that assist medical recovery and return to duty, DOL is seeking legislative reforms to the FECA benefit structure that will enhance incentives for injured employees to return to work, address benefit equity issues, discourage unsubstantiated claims, and make other improvements. Estimated cost savings of this reform to the government over 10 years is $608 million.

With input from the Inspectors General community, DOL's OIG developed a protocol for use by IGs across the government to reduce fraud and overpayments. The Employment Standards Administration has begun refining reconciliation procedures that address financial reporting for FECA. Research and design, initial testing, and system-wide program analysis have already been completed.

FECA is classified by OIG as high-risk for improper payments and has recommended updating medical information for claimants to prevent payment to those who are no longer disabled. DOL has met its improper payments reduction and recovery targets for the FECA program. Using the Integrated Federal Employee Compensation System, tracking of due dates of medical evaluations was installed and new controls implemented to ensure that claims examiners obtain and review current medical evidence.

Union Financial Integrity and Transparency

Performance Goal 07-4C (ESA) – FY 2007

Ensure union financial integrity, democracy, and transparency.

Indicators, Targets and Results					
*Indicator target reached (Y), substantially reached (S), improved (I), or not reached (N) **Estimated Some indicators not shown for FY 2004-05 – see Legacy Data note below		FY 2004 Goal Achieved	FY 2005 Goal Substantially Achieved	FY 2006 Goal Not Achieved	**FY 2007 Goal Substantially Achieved**
Percent of unions with fraud	Target	baseline	—	8%	**7.5%**
	Result	9%	—	8%	**7%**
	*	Y	—	Y	**Y**
	Cost	—	—	$18	**$35**
Percent of unions in compliance with LMRDA standards for democratic union officer elections	Target	—	—	Baseline	**92.5%**
	Result	—	—	92%	**92.3%**
	*	—	—	Y	**I**
	Cost	—	—	$11	**$13**
Percent of union reports meeting standards of acceptability	Target	75%	95%	96%	**97%**
	Result	92%	94%	93%	**95%**
	*	Y	S	N	**I**
	Cost	—	—	$8	**$16**
Goal Net Cost (millions)		—	$63	$56	**$68**
Source(s): OLMS union compliance audit information and e.LORS data system					
Legacy Data: Complete indicators, targets and results for FY 2003-05 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 06-2.1B.					
Note: Costs for this goal are net costs as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis.					

Program Perspective and Logic

The Employment Standards Administration's Office of Labor-Management Standards (OLMS) ensures union transparency, financial integrity, and democracy by administering and enforcing the Labor-Management Reporting and Disclosure Act (LMRDA). The LMRDA requires public disclosure reporting by unions and others, establishes standards for union officer elections, and imposes criminal sanctions for embezzlement of union funds. To implement the LMRDA protections, OLMS conducts criminal and civil investigations and union audits, and administers the reporting and public disclosure program.

Union transparency underpins the achievement of union democracy and financial integrity objectives and is measured by tracking the acceptability of union financial reports filed for public disclosure. An initial study indicated that approximately 73 percent of union reports met standards of acceptability in 2003. OLMS established aggressive goals for increasing transparency and, in 2007, the union compliance rate increased to over 95 percent. OLMS measures the effectiveness of its audits and embezzlement investigations by tracking indicators of fraud in unions. This is measured by auditing a random sampling of unions. In 2004, a study indicated that approximately nine percent of unions had indicators of fraud. OLMS studies have found that indicators of fraud have declined to seven percent in 2007.

Through compliance assistance and complaint-driven enforcement, OLMS ensures that union elections are run fairly and that union members have access to the rights guaranteed them under the LMRDA. In FY 2006, OLMS conducted a study to determine the rate of union compliance with standards for democratic union officer elections. The study found that unions were in compliance with 92 percent of critical LMRDA standards for democratic union officer elections. Measurement in 2007 indicates a slight increase in the compliance rate to 92.3 percent.

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

OLMS continues to promote increased electronic filing of union financial reports, which has improved reporting transparency and accuracy. While currently only the largest unions submit reports electronically, OLMS will seek increased use of electronic filing by all unions. In addition to promoting electronic filing, OLMS will also continue its outreach and compliance assistance programs to better inform union leaders and members as to the requirements of the LMRDA.

Analysis and Future Plans

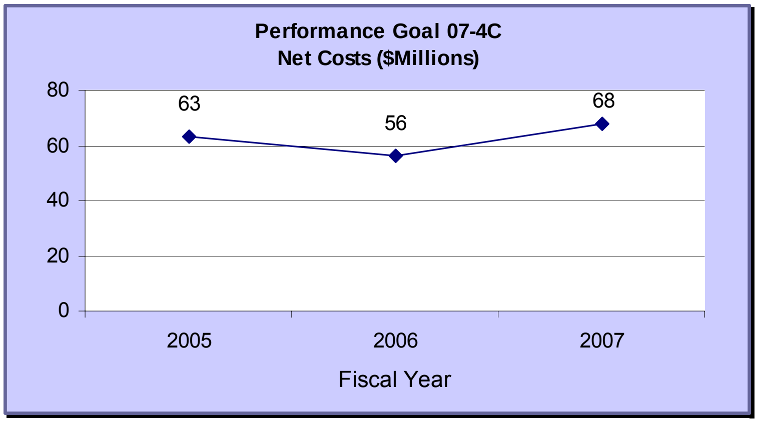
OLMS substantially achieved its performance goal by improving results for two performance indicators and reaching one target. OLMS met its target, 7.5 percent, for the percentage of unions with indicators of fraud. Private sector research indicates that this rate of fraud is significantly lower than fraud in corporations, which is estimated at 10 percent. The ability to surpass current performance levels is unlikely. Consequently, OLMS plans to revise its measure to refocus on key financial integrity program areas that directly impact the program's effectiveness.

OLMS improved its prior year baseline result for the union democracy measure, but just missed the targeted 92.5 percent. Under the LMRDA, OLMS responds to formal complaints filed by a union member regarding an election. As such, OLMS does not conduct targeted enforcement on elections. OLMS is exploring a revised measure that would better measure performance of its statutory role.

OLMS fell short of its ambitious financial reporting target, but still improved upon prior year results. Since FY 2003, union reports acceptable for public disclosure increased from 73 to 95 percent. As the targets near 100 percent, OLMS intends to focus efforts on increasing the number of electronic filers, which would drive continuing improvements in LMRDA reporting compliance, provide more timely public disclosure of reports and improve agency efficiency in managing reports and public disclosure.

OLMS has been able to leverage its use of technology, such as the implementation of electronic filing procedures, as well as its streamlined auditing procedures to improve its overall performance with available resources. OLMS is exploring indicators that will more closely link performance results to program improvements. OLMS believes that its performance measurement program can be used to identify greater resource efficiencies in its programs and as an outgrowth, more effectively protect union members' assets (by more accurately targeting instances of fraud and embezzlement), and increase financial transparency (by making better use of technology to offer more accurate and timely financial reports to union members and other interested parties).

Lastly, OLMS has initiated work on legislation to obtain civil monetary penalty authority. This legislation would place the agency on par with its worker protection counterparts at the Department and strengthen OLMS' efforts in LMRDA reporting compliance.



OLMS net costs rose by 21 percent in FY 2007 after dropping by 11 percent in FY 2006. OLMS attributes the increase to a rise in agency and Department level indirect costs that include audit services. In FY 2007, OLMS was able to assign 94 percent of net costs to performance indicators, up from 64 percent in FY 2006. Each indicator represents a major performance goal within OLMS, and as noted above, resources are budgeted across these three areas.

PART, Program Evaluations and Audits

OLMS underwent a PART review in 2005 and received a rating of *Adequate*. The assessment found the program well defined, but lacked sufficient tools to effectively enforce the LMRDA public disclosure reporting provisions and a performance measure for mission-critical union democracy goals. In response to PART recommendations, OLMS completed a study in FY 2006 to determine compliance with standards for democratic union officer elections and established a baseline and goals for an indicator measuring compliance with union officer election standards under the LMRDA. In 2007, OLMS continued reporting on this measure, but also examined alternative measures for union democracy, financial integrity, and transparency goals to achieve program improvements in support of its critical mission. The PART also found that no recent independent review of OLMS' programs had been conducted, noting that such a review could help identify and address weaknesses in procedures, compliance and enforcement strategies, or program design. An independent evaluation will provide an assessment of the LMRDA reporting and public disclosure program and make recommendations for improvements.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated *Good*. OLMS uses its Case Data System to track investigations and performance. The electronic reporting and disclosure database provides quick access to accurate and timely union financial data. Overall, strengths of this data include its relevance to program performance and accuracy. OLMS will continue refining data collection protocols to ensure the development of meaningful long-term trends for each of its performance indicators. OLMS acknowledges its sampling and collection protocols for the data underlying the fraud and democracy performance goals are not optimal. New performance measures are being explored that will rely on more robust data collection methods. OLMS will continue to promote the use of electronic filing for union financial reports that will enable additional error checking for data accuracy.

Provide for Secure Pension and Health Plans

Performance Goal 07-4D (EBSA) – FY 2007

Enhance pension and health benefit security.

Indicators, Targets and Results				
*Indicator target reached (Y), improved (I), or not reached (N) Some indicators not shown for FY 2005-06 – see Legacy Data note below		FY 2005 Goal Achieved	FY 2006 Goal Achieved	**FY 2007 Goal Achieved**
Ratio of criminal cases accepted for prosecution to cases referred	Target	—	—	**48%**
	Result	—	—	**67%**
	*	—	—	**Y**
	Cost	—	—	**$103**
Ratio of closed civil cases with corrected fiduciary violations to civil closed cases	Target	—	—	**61%**
	Result	—	—	**69%**
	*	—	—	**Y**
Customer Satisfaction Index for employers, plan sponsors, employee representatives, trustees of multiemployer plans, and other plan professionals who have contacted EBSA for assistance	Target	—	—	**baseline**
	Result	—	—	**81.5**
	Cost	—	—	**$29**
Applications to Voluntary Compliance programs	Target	8,340	13,500	**13,838**
	Result	14,082	17,214	**20,123**
	*	Y	Y	**Y**
	Cost	—	—	**—**
Goal Net Cost (millions)		$160	$179	**$176**
Source(s): Enforcement Management System (EMS), Delinquent Filer Voluntary Compliance (DFVC) Tracking System, and The Gallup Organization/Technical Assistance and Inquiry System (TAIS)				
Legacy Data: Complete indicators, targets and results for FY 2003-06 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 06-2.2C.				
Note: Costs for this goal are net costs as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis. The cost listed for the first indicator also includes the costs associated with the civil ratio measures. Costs are not allocated to the indicator level for the civil and criminal ratio measures because these programs are not separable into individual costs.				

Program Perspective and Logic

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

EBSA oversees benefit security for nearly 3.2 million private sector pension and health plans, and similar numbers of other welfare benefit plans, such as those providing life or disability insurance. The benefit plans under EBSA's jurisdiction cover approximately 150 million participants and beneficiaries, and in excess of $5.6 trillion in assets. External factors, such as the economy and tax policy, have a significant impact on whether employers opt to offer benefits, and whether employees choose to participate in benefit plans and to what extent.

After receiving a participant complaint, the Department investigated an Independence, Missouri, truck servicing company. The investigation revealed that over a period of three and a half years, the company withheld approximately $36,500 from 17 employees' paychecks which was intended to be deposited into the company's 401(k) plan. Instead, the money was used to fund the business in violation of the law. As a result of the Department's investigation, the company's owner was charged with embezzling from an employee benefit plan. The owner pled guilty, was sentenced to five years' probation, and made restitution to the plan – including lost earnings.

Analysis and Future Plans

For the first time in FY 2007, EBSA performed under more rigorous enforcement performance indicators as reflected in the Department's Strategic Plan. EBSA achieved its performance target of the ratio of closed civil cases with corrected fiduciary violations to closed civil cases – a more challenging measure than the previous performance indicator which included the correction of lower priority non-fiduciary violations. With respect to criminal case work, EBSA achieved its target to report cases accepted for prosecution rather than the less ambitious measurement of cases referred for litigation.

In addition to tracking long-term targets for civil and criminal ratios, EBSA monitored annual targets to evaluate the success of five national enforcement initiatives (see table below). These initiatives are part of the civil cases measurement and may change from year-to-year as the agency satisfies its commitments and assumes new priorities. This year, EBSA eliminated its Orphan Plan Project because it fulfilled its goal of establishing an efficient framework for the completion and distribution of abandoned plan benefits to workers. EBSA replaced this indicator with the new Consultant Advisor Project ratio, which includes a relatively small number of carefully targeted cases. EBSA opened several cases this year, but only completed one, an insufficient number to establish a baseline. The agency will establish a baseline in FY 2008 to the extent sufficient investigations are closed. The Employee Stock-Ownership Plans (ESOP) project target remained elusive for a second year. EBSA is reviewing the ESOP target and strategies in an effort to improve its performance.

Employee Contribution Project ratio	Target	**77%**
	Result	**82%**
Employee Stock-Ownership Plans ratio	Target	**58%**
	Result	**51%**
Multiple Employer Welfare Arrangements ratio	Target	**55%**
	Result	**55%**
Rapid ERISA Action Team ratio	Target	**48%**
	Result	**69%**
Consultant/Advisor Project (CAP) ratio	Target	**baseline**
	Result	**NA**

EBSA reached its customer service and voluntary compliance targets. In FY 2007, DOL obtained monetary results of approximately $1.5 billion. Monetary results are a product of EBSA's investigative, compliance and participant assistance activities. This year, Benefit Advisors continued to provide superior participant assistance as they responded to 99 percent of all written inquiries within 30 days of receipt and responded to over 99 percent of telephone inquiries by the close of the next business day.

EBSA began work with The Gallup Organization to launch its compliance assistance customer service satisfaction index evaluation, modeled after the highly successful participant assistance evaluation conducted between 2003 and 2006. EBSA achieved its performance target for customer service in its participant assistance program two years early. With respect to customer service performance for its compliance assistance programs, EBSA achieved a highly regarded score of 81.5. The Gallup Organization has deemed certain aspects of the agency's customer service program as *World Class,* a designation reserved for only the highest performing organizations – demonstrating that EBSA balances its performance goals with providing quality service to its customers. EBSA continued to monitor its compliance assistance measure that demonstrates success in voluntary compliance programs, such as the Voluntary Fiduciary Correction Program and the Delinquent Filer Voluntary Compliance Program. To meet the demands of a rapidly changing and complex employee benefits environment, EBSA will deter and correct violations of relevant statutes, facilitate compliance assistance by plan sponsors, plan officials, providers of services to benefit plans, and other members of the regulated community; and assist workers in understanding their rights and responsibilities via aggressive, grassroots outreach and education next year.

A self-funded health plan was not paying its participants' claims. One of the participants called the Department and explained that she was unable to receive additional medical treatment because her health care provider refused to provide any further services without payment of the outstanding claims. A Benefits Advisor contacted the plan and discovered that many more participants were similarly affected, and that the plan had over $200,000 in delinquent claims. As a result of this single complaint and the Department's efforts, $221,713 in outstanding medical claims were paid, enabling the participant who called to resume her treatments and assisting dozens more participants.

The two percent decrease in net cost of this performance goal between FY 2006 and FY 2007 reflects changes in DOL support agency and overhead expenses.

To protect workers and retirees and to encourage continued sponsorship of pension plans, the President signed the Pension Protection Act (PPA) in FY 2006. EBSA has the primary responsibility for developing more than two dozen regulations to implement the PPA and began reallocating resources in FY 2007 to meet the demanding work schedule.

PART, Program Evaluations and Audits

EBSA underwent a PART review in 2004 and received a rating of *Moderately Effective*. EBSA conducted evaluations and regulatory reviews in response to PART recommendations. DOL contracted with Gallup to evaluate EBSA's participant assistance program. EBSA received detailed performance information that helped to improve its customer satisfaction score. With Gallup's assistance, EBSA also conducted targeted training to address employee weaknesses and share best practices. Finally, field offices implemented plans to improve their customer satisfaction scores. In FY 2006, Gallup conducted a follow-up study of EBSA's participant assistance program. EBSA ended its four-year study with a 69 percent satisfaction rate, up from its baseline year of 53 percent.

With respect to the regulatory review program, ICF is conducting a cost benefit analysis of selected regulations. Given the complex nature of regulatory reviews, EBSA will more fully report the results of this effort next year. Preliminary results indicate that EBSA is publishing regulations where benefits outweigh costs. In late FY 2007, EBSA launched a performance improvement analysis by Gallup of its participant assistance program in one field office. The analysis will provide insight and specific management advice aimed at program improvement.

The GAO concluded a review of EBSA's enforcement program in FY 2007. The GAO commended EBSA for addressing recommendations made in their FY 2002 review. EBSA will work with the GAO in implementing new recommendations, including their recommendation to assess the nature and extent of ERISA noncompliance.

"Office of Participant Assistance Program Evaluation Studies," December 2006 (The Gallup Organization)
Purpose: To provide information enabling EBSA to address program performance issues to the greatest extent possible and thus improving the interaction customers have directly with EBSA representatives.
Major Findings: Participant Assistance Customer Satisfaction Surveys: 1) EBSA achieved a customer satisfaction score of 69 percent (percentage rating 4 or 5 on a 5-point scale). 2) Individual employee performance drives the customer service experience. 3) Surveys suggest that 57 percent of respondents indicated EBSA performs better than other agencies and 50

percent stated that EBSA performed better than private sector businesses.

Recommendations:
1) Use study results to maintain achievements in the absence of further participant assistance studies.
2) Rely on best and brightest Benefit Advisors (BA) for Customer Satisfaction tips in training new BAs.
3) Share the Agency's success publicly to create a sense of pride among the staff that achieved the success.

Actions Taken and Remaining: None outstanding
1) EBSA institutionalized BA meetings to refine and update plans for improving their office's performance based on the Gallup evaluations.
2) EBSA holds its executive leadership accountable for achieving the agency's customer satisfaction goals.
3) Customer Service training is now a regular part of the Basic Training Program for new BAs.

Additional Information: A copy of this report can be obtained from the Employee Benefits Security Administration, 200 Constitution Avenue, N.W., Room N-5625, Washington, DC, 20210; or by calling 202-693-8655.

"Enforcement Improvements Made but Additional Actions Could Further Enhance Pension Plan Oversight," January 2007 (GAO)

Purpose: Report GAO-07-22 follows up on a 2002 GAO review, in which the GAO reported that EBSA strengthened its enforcement program and is a well managed organization, but improvements could be made.

Major Findings: Since the last GAO review:
1) EBSA made several improvements to coordinate regional investigations, to increase participation in its voluntary correction programs, and to recruit investigators with advanced skills.
2) EBSA has not adequately assessed the nature and extent of ERISA noncompliance.
3) EBSA has taken limited steps to evaluate the effect staff attrition rates have on its operations. GAO also concluded that certain statutory obstacles limit EBSA's oversight of private sector pension plans.

Recommendations:
1) Evaluate the extent to which EBSA could supplement its current enforcement practices with strategies used by similar enforcement agencies.
2) Conduct a formal review to determine the effect ERISA's statutory filing deadlines have on investigators' access to timely information.
3) Evaluate the factors affecting staff attrition.

Actions Taken and Remaining:
1) EBSA will follow the assessment of the IRS noncompliance program next year and will analyze its applicability to EBSA. With respect to risk assessment, EBSA's national and regional projects accomplish the spirit of GAO's recommendation.
2) EBSA will review a sample of cases opened based on an analysis of Form 5500 information beginning in FY 2007.
3) EBSA revised its employee exit survey to better identify effective retention strategies.

Additional Information: A copy of report no. GAO-07-22 is available at http://www.gao.gov/new.items/d0722.pdf.

"Regulatory Review for the Employee Benefits Security Administration," December 2007 (ICF International)

Purpose: To guide and inform the regulatory decision-making process through regulatory analysis, EBSA is obligated under E.O. 12866 to conduct cost and benefit analyses of "economically significant" regulations.

Major Findings:
1) EBSA appropriately attempts to minimize the economic cost of regulation and preserve opportunity for industry innovation and competition.
2) EBSA's process for regulatory analysis is collaborative and collegial, but could benefit from more explicit routing plans and schedules.
3) There are advantages and disadvantages to rules being written concurrently with the regulatory analysis. More upfront analysis supports a better informed evaluation of alternatives, but requires a greater level of effort.
4) ICF reviewed the Reasonable Contract or Arrangement Under Section 408(b)(2) – Fee Disclosure Regulation and concluded that the benefits of the proposed regulation and class exemption will outweigh the anticipated costs of compliance.

Recommendations:
1) Continue conducting analysis as part of a separate regulatory analysis team as EBSA currently does, rather than having rulemaking and the regulatory analysis done by the same program.

2) Ensure all necessary staff are involved early in the process and all parties communicate regularly.
3) Continue planning regulatory evaluations using the regulatory review process.

Actions Taken and Remaining:

1) EBSA will consider ways to facilitate the regulation making process and to use resources in the most efficient manner.
2) EBSA will evaluate the appropriate skills of employees working on regulatory impact analyses and team organization.
3) ICF will conduct a regulatory analysis of ERISA section 105(a) (Periodic Pension Benefit Statements) and existing Field Assistance Bulletin 2006-03 to complete their activities.
4) ICF will conduct reviews of selected regulations in FY 2008.

Additional Information: A copy of this report can be obtained from the Employee Benefits Security Administration, 200 Constitution Avenue, N.W., Room N-5718, Washington, DC 20210; or by calling 202-693-8417.

Data Quality and Major Management Challenges

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

EBSA has one Major Management Challenge (MMC): *Ensuring the Security of Employee Benefit Plan Assets* (item III in the MMC section of Management's Discussion and Analysis). The specific areas of concern include benefit plan audits, benefit plan fraud, and corrupt multiple employer welfare arrangements. Because the risks associated with this challenge go to the heart of EBSA's goal to secure pension and health plans, EBSA has taken specific actions to address this challenge, including strengthening benefit plan audits through increased oversight of accounting firms, meeting ambitious targets for civil and criminal cases, and vigorously pursuing fraudulent Multiple Employer Welfare Arrangements.

Improving Pension Insurance

Performance Goal 07-4E (PBGC) – FY 2007

Improve the pension insurance program.

Indicators, Targets and Results					
*Indicator target reached (Y), improved (I), or not reached (N)		FY 2004 Goal Not Achieved	FY 2005 Goal Not Achieved	FY 2006 Goal Not Achieved	**FY 2007 Goal Sub-stantially Achieved**
Implement premium reforms in the Pension Protection Act of 2006 and Deficit Reduction Action of 2005: Issue Proposed Regulation for Variable Rate Premium (PPA)	Target	—	—	—	**50%**
	Result	—	—	—	**100%**
	*	—	—	—	**Y**
Implement premium reforms in the Pension Protection Act of 2006 and Deficit Reduction Action of 2005: Issue Proposed Regulation for Flat Rate Premium Increase (DRA)	Target	—	—	—	**50%**
	Result	—	—	—	**100%**
	*	—	—	—	**Y**
Implement premium reforms in the Pension Protection Act of 2006 and Deficit Reduction Action of 2005: Issue Proposed Regulation for Termination Premium (both)	Target	—	—	—	**50%**
	Result	—	—	—	**100%**
	*	—	—	—	**Y**
Customer Satisfaction score for premium filers	Target	71	72	74	**68**
	Result	69	68	68	**70**
	*	N	N	N	**Y**
Customer Satisfaction score for trusteed plan participant callers	Target	77	78	80	**80**
	Result	78	79	75	**78**
	*	Y	Y	N	**I**
Customer Satisfaction score for retirees receiving benefits from PBGC	Target	—	84	84	**85**
	Result	—	85	85	**88**
	*	—	Y	Y	**Y**
Source(s): American Customer Satisfaction Index (ACSI) and Federal Register.					
Note: Costs are not provided because PBGC is not included in the Consolidated Statement of Net Costs. However, in accordance with the requirements of the Government Performance and Results Act (GPRA), PBGC's performance reporting is included in this report because PBGC's performance goals are included in the Department's performance budget.					

Program Perspective and Logic

PBGC operates under the guidance of its Board of Directors, which consists of the Secretaries of Labor, Commerce and the Treasury. The Secretary of Labor chairs the Pension Benefit Guaranty Corporation (PBGC)'s Board of Directors. PBGC protects the retirement incomes of 44 million American workers in over 30,000 defined benefit pension plans. Defined benefit plans provide specified monthly benefits at retirement, often based on a combination of salary and years of service. PBGC safeguards the pension insurance program and provides exceptional service to its customers, while it exercises effective stewardship over its resources.

PBGC receives no funds from tax revenues. Operations are financed by insurance premiums set by Congress and paid by sponsors of defined benefit plans, investment income, assets from pension plans trusteed or

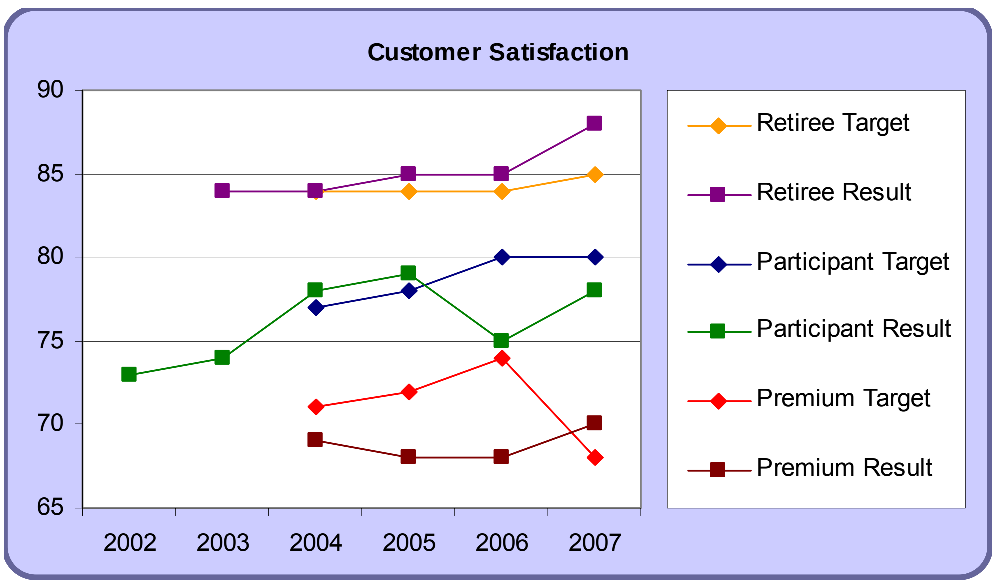
insured by PBGC, and recoveries from the companies formerly responsible for the plans. Approximately 75 percent of funds are allocated to participant activities, while 25 percent are used for plan sponsor and pension practitioner activities. PBGC's operating budget was $386 million in FY 2006 and $399 million in FY 2007. It is responsible for the current and future pensions of about 1.3 million people, including those who have not yet retired and participants in multi-employer plans receiving financial assistance.

PBGC monitors its progress in meeting participant, premium filer, and stakeholder needs and expectations by using the American Customer Satisfaction Index (ACSI) survey methodology, which provides comparisons to both private businesses and the Federal government. PBGC uses customer feedback to make targeted improvements to processes and services directly impacting its customers.

The Deficit Reduction Action (DRA) and the Pension Protection Act (PPA), both enacted in 2006, included amendments to the Employee Retirement Income Security Act. These provisions included new plan funding rules and provisions for pension plan transparency, and reforms to the premium structure for defined benefit plans. On February 20, 2007 PBGC issued proposed regulations to implement provisions of the PPA and the DRA that change the flat premium rate, cap the variable-rate premium, and create a new termination premium. On May 21, 2007 PBGC also issued proposed regulations that change the variable-rate premium for the plan years beginning on or after January 1, 2008. PBGC has met this indicator for FY 2007.

Analysis and Future Plans

Practitioner Performance Indicators: PBGC's customer satisfaction index for premium filers increased from 68 to 70 in 2007, the highest score since the survey began in 2002. The increase is primarily due to improved customer perceptions of PBGC's viability and the health of the defined benefit pension insurance system. In 2008, PBGC will focus on its new Premium and Practitioner System (which is expected to improve timeliness and accuracy of service to practitioners), and implementing mandatory electronic premium filing and PPA provisions. PBGC also aims to maintain quality service during the transition.



Participant Performance Indicators: The 2007 survey of retirees receiving monthly pension benefits from PBGC showed a high level of satisfaction with PBGC service. Using the ACSI, PBGC scored 88 from retirees receiving benefits, representing a three point increase from 2006. Preliminary analysis of customer responses show that the highest scoring components driving customer satisfaction are receipt of benefits at a regular time each month and efficiency of the benefit payment process. PBGC attributes this success to its exceptional customer service and expansion of online services available to retirees. The 2007 ACSI survey of participant callers showed an improvement of three points, from 75 to 78 percent. Participants scored PBGC higher in responsiveness and accuracy of concern resolution, timeliness of issuing benefit estimates, and ability to meet expectations. In 2008, PBGC will begin restructuring its service delivery model. While the change is expected to result in performance-based contracting and more streamlined processing in the longer term, PBGC will strive to maintain the current levels of satisfaction throughout the transition period.

Improving Efficiency

PBGC's administrative costs per participant dropped 25 percent from 2000 to 2006 and decreased 14 percent in 2007 for pension plans it has assumed. Continuous technological upgrades enable PBGC to provide better and faster service to participants.

PART, Program Evaluations and Audits

PBGC underwent a PART review in 2007 and received a rating of *Moderately Effective*. PBGC is now focusing on implementing a comprehensive approach to improving information technology and infrastructure security, and using performance information to better manage the program and improve performance.

PBGC continues to be included in the Government Accountability Office's list of High Risk Federal Programs because of "its large deficit and the uncertainty of the future of the defined benefit system." A summary of the GAO reports follows:

"High Risk Series: An Update," January 2007 (GAO)
Purpose: In Report No. GAO-07-310, GAO updated its 2005 list of high risk areas warranting attention by Congress and the executive branch. With the passage of the Pension Protection Act (PPA) of 2006 that included major pension reforms, PBGC still remains high risk.
Major Findings: PPA's overall impact on the single employer program's deficit remains unclear. Also, PPA did not fully close potential funding gaps and provided funding relief to plan sponsor in troubled industries. Furthermore, PPA is unlikely to reverse the long-term decline in defined benefit system or help PBGC make up its current deficit.
Recommendations: Carefully monitor the effects of PPA on PBGC and defined benefit plans, and consider taking additional action to safeguard the private pension system's role in national security.
Actions Taken and Remaining: PBGC made significant progress in implementing provisions of the Pension Protection Act (PPA) of 2006 and the Deficit Reduction Action (DRA) of 2005. In February 2007, PBGC issued proposed regulations to implement provisions of PPA and DRA that change the flat premium rate, cap the variable-rate premium and create a new termination premium. In May 2007, PBGC issued proposed regulations that change the variable-rate premium for the plan years beginning on or after January 1, 2008.
Additional Information: GAO-07-310 is available at http://www.gao.gov/new.items/d07310.pdf.
"Defined Benefit Pensions: Conflicts of Interest Involving High Risk or Terminated Plans Pose Enforcement Challenges," June 2007 (GAO)
Purpose: GAO report no. GAO-07-703 assessed conflicts of interest affecting private-sector defined benefit pension plans and the procedures Federal agencies employ to identify and recover losses from conflicts.
Major Findings: Without a detailed audit, GAO could not conclude that specific financial harm was caused by conflicts of interest. Different missions among EBSA, PBGC and SEC pose challenges in coordinating a focused approach to pursuing conflicts of interest.
Recommendations: EBSA, PBGC and SEC should share data on and assess the risk of conflicts of interest.
Actions Taken and Remaining: PBGC has instituted an enhanced plan intake process that includes a screening mechanism to identify potential indicators of fiduciary breaches, such as the existence of conflicts of interest. PBGC is working with EBSA and the SEC to establish an information-sharing agreement that would be useful in identifying and protecting PBGC's insurance programs. PBGC is piloting an information-sharing protocol in a test case.
Additional Information: GAO-07-703 is available at http://www.gao.gov/cgi-bin/getrpt?GAO-07-703.
"Pension Benefit Guaranty Corporation: Governance Structure Needs Improvements to Ensure Policy Direction and Oversight," July 2007 (GAO)
Purpose: In study no. GAO-07-808, GAO assessed the PBGC's governance structure, policy direction and oversight, and administrative responsibilities among its Board of Directors, DOL, and PBGC management.
Major Findings: The board structure does not guarantee that PBGC's board is active and diverse. Lack of guidelines for the roles and responsibilities among the board, board chair, and management often lead to confusion and inefficiencies.

Recommendations: Develop policies and mechanisms consistent with corporate governance practices, including roles and responsibilities. Consider expanding PBGC's Board of Directors.	
Actions Taken and Remaining: PBGC will work closely with the Board of Directors as they address the recommendations.	
Additional Information: GAO-07-808 is available at http://www.gao.gov/new.items/d07808.pdf.	
"Employer-Sponsored Benefits: Many Factors Affect the Treatment of Pension and Health Benefits in Chapter 11 Bankruptcy," September 2007 (GAO)	
Purpose: Examine impact of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA) and the Pension Protection Act of 2006 (PPA) on the Chapter 11 Bankruptcy filing process.	
Major Findings: Bankruptcy professionals generally agreed that BAPCPA will have a limited effect on employers' decisions to maintain their defined benefit plans. Changes included in the PPA, such as the change in termination date, may affect employers' decisions to maintain their defined benefit plans. Several other factors, such as market conditions and benefit obligations, can also influence employers' decisions in bankruptcy.	
Recommendations: Additional time may be needed to more fully understand how BAPCPA and PPA affect benefits in specific cases; the full impact of legislation may never be known because employers' decisions to modify benefits are part of a more complex process including bankruptcy and pension laws.	
Actions Taken and Remaining: PBGC will monitor the effects of the legislation on its insurance programs.	
Additional Information: GAO-07-1101 is available at http://www.gao.gov/new.items/d071101.pdf.	

Data Quality and Major Management Challenges

Data quality for this performance goal was rated *Data Quality Not Determined* due to the relevance criterion. Measures of customer satisfaction are not representative of PBGC's efforts to improve the pension insurance program. During 2007, PBGC focused on implementing premium reforms required by the PPA and DRA and set performance measures and targets for proposing regulations. This goal was achieved successfully. In addition, during the PART review, PBGC developed two new mission-related performance measures focusing on eliminating the deficit and reducing the cycle time to determine a participant's benefit amount. Implementation of these measures in 2008 addresses the relevance criterion and will improve the data quality rating.

Though PPA made significant reforms to the pension system, GAO reports in its *2007 High Risk Update* that "while some of [PPA] reforms represent progress, their ultimate impact on the single-employer program's deficit is unclear. Many of these reforms will be phased in gradually, postponing their potentially positive effect on plan funding, while other changes could have the effect of increasing PBGC's financial exposure." Addressing PBGC's deficit will require additional legislative action by Congress and the President. PBGC will take the statutory actions that are within its purview to eliminate the deficit and account for expected losses – so that workers and retirees can continue to receive qualified benefit payments from the PBGC.