U.S. Department of Labor

Performance and Accountability Report

2008

2001 2002 2003 2004 2005 2006 2007

FY 2008 Performance and Accountability Report

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

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

Secretary's Message

November 17, 2008

I am pleased to submit the tenth annual Department of Labor (the Department or DOL) Performance and Accountability Report to Congress and the American people. Work in the United States is evolving rapidly with demographic trends, technological advances, and international competition. To help workers succeed in the midst of change and economic uncertainty, the Department must anticipate new trends and adopt effective strategies. With that in mind, we set out to modernize the Department – to transform DOL into a more effective and efficient government agency that delivers benefits for its customers and stakeholders alike.

During my tenure as Secretary of Labor, the Department responded in many new and innovative ways to the challenges of the 21st Century. Four examples of progress stand out. First, the Department successfully updated the 50-year-old white-collar overtime regulations under the Fair Labor Standards Act to provide millions of low-wage vulnerable workers with strengthened overtime protections. Second, DOL achieved the first major update of union financial disclosure regulations in more than 40 years, giving union members enhanced information on how their hard-earned dues are spent. Third, the Pension Protection Act of 2006 complements the Department's record enforcement of the Employee Retirement Income Security Act (ERISA) and achieves the President's goals of stronger funding and greater transparency of our pension system, including important reforms to expand retirement security and protect workers in defined contribution plans. And fourth, the Department has been privileged to assist our returning veterans, who have fought so bravely to defend our freedom at home and throughout the world. Among our actions, the Department published the first-ever regulations implementing the Uniformed Services Employment and Reemployment Rights Act, launched ReaLifelines to provide one-on-one services to seriously wounded service members, initiated the HireVetsFirst campaign, and, this past August, inaugurated America's Heroes at Work, which focuses on the challenges of returning service members with Traumatic Brain Injury and Post-Traumatic Stress Disorder.

The Program Performance Overview in the Management's Discussion and Analysis section of this report includes many more examples that highlight the impact DOL programs have had on individuals over the last seven years. This report documents the latest evidence of the Department's transformation with program and financial performance results. While the Department did not meet all of its 2008 goals, we are continuing to focus on improving program performance. Organized by types of workers we serve, the following is a summary of our performance from the fiscal year (FY) that ended September 30:

For Veterans

- √ Entered employment and employment retention rates increased by one and two percentage points, respectively, for all veterans participating in DOL's programs.

For Keeping Workers Safe

- √ Between 2006 and 2007 – the most recent year for which data are available – the workplace injury and illness incidence rate declined to its lowest level ever among private employers since the change in OSHA recordkeeping in 2002, declining by 21 percent over the past six years. The rate declined in 5 of the 19 private industry sectors and was statistically unchanged in the remaining 14 industry sectors.

- √ For 2007 – the most recent year for which data are available – worker fatalities declined to 3.7 fatalities per 100,000 workers, the lowest fatality rate in recorded OSHA history.
- √ Reduced the number of lost production days per 100 employees for Postal workers by almost a week and for non-Postal Federal employees by over a week.
- √ Reduced the amount of time to decide claims for Black Lung benefits by an average of 19 days.

For the Unemployed and Other Jobseekers

- √ Retention in employment improved for Workforce Investment Act (WIA) Adult, Employment Service, and Trade Adjustment Assistance (TAA) program participants but fell slightly for the WIA Dislocated Worker program. Entered employment rates fell for those served by the WIA Adult and Dislocated Worker, and TAA programs.
- √ Average earnings rose for participants in the WIA Adult and Dislocated Worker, Employment Service, and TAA programs – in some cases six months' earnings increased by nearly $1000.
- √ The reemployment rate for unemployment insurance claimants decreased slightly by 0.2 percentage points, from 65.1 percent in FY 2007 to 64.9 percent in FY 2008 – primarily due to changes in the national unemployment rate. However, the agency continues to work with States to improve reemployment services provided through the One-Stop Career Centers.
- √ Nearly 16 million workers were provided with employment assistance and/or workforce and labor market information.

For Apprentice Workers

- √ Approximately 84 percent of workers in apprenticeship programs remained employed for at least nine months after registering as an apprentice.
- √ While apprenticeship program participants' average hourly wage gain (from $15.27 to $15.87) was below the target, the gain translates to an annual increase of $1,269 per apprentice. The decline in construction associated with a deteriorating housing market had a significant impact on the number of registered apprentices, exerting downward pressure on the average earnings measure.

For Youth

- √ Approximately 67 percent of WIA Youth program participants entered employment, post-secondary education, or advanced training after exiting the program, and over 50 percent earned credentials within a year after exit. These programs focus on low-income, out-of-school youth who may require specialized assistance to complete educational programs or secure jobs.
- √ The Job Corps program's placement and credential results dropped for the third consecutive year. Unlike the previous two years, basic reading and math skill outcomes dropped below the target. Therefore, Job Corps is implementing its *New Vision* – an approach that focuses on applied academics. Timing is critical since recent data indicate the national youth unemployment rates are rising.

For Employees of Federal Contractors

- √ Federal contractors maintained a compliance rate above 86 percent for the fifth consecutive year, which means most audited contractors have affirmative action plans and comply with equal employment opportunity laws.
- √ The discrimination rate among audited Federal contractors rose to 1.6 percent from 1.0 percent in FY 2007.

For Miners

- √ The mine injury and illness rate dropped for the fifth consecutive year, from an incidence of 4.26 per 200,000 hours worked in FY 2003 to an estimated 3.19 in FY 2008.
- √ The mine fatal injury rate dropped from .020 to an estimated .016 (per 200,000 hours worked).

- √ The percent of noise exposures above the citation levels in coal mines rose from 3.66 percent to an estimated 4.55 percent from FY 2007 to FY 2008. DOL increased the number of enforcement personnel and stepped up mine inspections, which has and will continue to have a positive impact on mine safety and health.

For Workers with Employer Benefit Programs and Pensions

- √ Seventy percent of the closed ERISA civil cases resulted in corrected fiduciary violations. Monetary results for enforcement, participant assistance, and compliance assistance activity exceeded $1.2 billion and criminal investigations led to 101 indictments.
- √ Customer satisfaction improved for all Pension Benefit Guaranty Corporation customer categories.

For Union Workers

- √ As it has in the past four years, the percent of unions in compliance with democratic union officer election procedures remained above 90 percent (91.3 percent).
- √ DOL did not meet its targeted goal of 97 percent of union financial reports meeting standards of acceptability. The Department continues to expand electronic submission of union reporting to provide more timely public disclosure of reports and to improve the number of reports meeting reporting standards. DOL has also identified barriers to submitting union reports electronically, including specific recommendations from a cost-benefit analysis of its electronic reporting and disclosure system.
- √ Office of Labor-Management Standards investigations resulted in 130 indictments, 102 convictions, and $3.2 million in secured or court-ordered restitution in FY 2008. Most of the cases involved the embezzlement of union funds.

Program Data and Financial Systems

Department managers routinely use the performance and financial information summarized in this report to improve the quality and cost-effectiveness of services they provide to the public. For management and accountability purposes, it is crucial to have confidence in the quality of this information. Program performance data in this report are complete and reliable, with no material inadequacies as defined in Office of Management and Budget Circular No. A-11.

DOL conducts annual performance data quality assessments to ensure transparent reporting and to manage for results. These assessments promote continuous improvement in performance goal data by applying criteria such as accuracy, validity, and timeliness. Based on such criteria, the Department's data quality is rated *Very Good* or *Excellent* on a five-point scale for nearly two thirds of its performance goals. Program performance data quality, assessment of internal controls pursuant to the Federal Managers' Financial Integrity Act (FMFIA), and compliance of financial management systems with the Federal Financial Management Improvement Act of 1996 (FFMIA) are discussed in greater detail in the Management's Discussion and Analysis section of this report.

President's Management Agenda

When President George W. Bush introduced his Management Agenda (PMA) in 2001, the Department seized this opportunity and quickly demonstrated solid progress in implementing its initiatives. Sound management has always been a focus at DOL. In the third quarter of FY 2005, DOL became the *first* agency to achieve green status scores for all five government-wide initiatives. At DOL, PMA successes have resulted in a gradual cultural shift that fosters a closer dialogue among program, performance, budget, and finance staff. Now, performance is considered in funding and management decisions and programs are expected to target for continual improvement and achieve results. And as highlighted on the September 30, 2008, PMA scorecard, DOL has continued its momentum – achieving green progress and status scores on all eight government-wide and agency-specific PMA initiatives for which DOL is responsible.

Conclusion

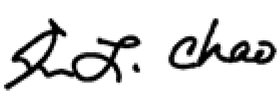
DOL's programs and policies are heavily affected by economic trends and conditions. In 2008, our country has faced significant challenges in the housing market, financial market volatility, and rising energy prices. Technology has accelerated the pace of change and our country is transitioning to a knowledge-based economy. Good jobs are still being created. In fact, the majority of employment growth over the past six years has been in occupations with above-average compensation. This trend is likely to continue in the future, and most new jobs projected for the future are expected to be filled by workers with some kind of post-secondary education or training. Over the next decade, new jobs will be created in high-growth industries including health care, nanotechnology, geospatial technology, and the life sciences. Education to gain the knowledge and skills that are in demand is key to future success in America's labor market. Workers who acquire and maintain competitive knowledge and skills are finding jobs with good compensation.

The American labor market is dynamic and resilient. Although 2008 saw the end of a record 52 consecutive months of job gains (September 2003 through December 2007), this change reflects multiple short-term challenges facing our economy. The prospects for long-term growth remain good. Even as our economy grows in the future, there will be important challenges that affect our long-term outlook and that must be addressed by the next Administration. State and local flexibility is imperative so that training investments are strategically aligned with the realities of the local and regional economies; but, the Department continues to encourage States to place a greater focus on providing education and skills training for high-growth occupations and to ensure the quality of that training. Also, DOL recently announced new projects to help workers who have lost their jobs start small businesses and to raise workers' education and skill levels.

Two key dynamics will affect the shape of the U.S. labor force in the first half of the 21st Century: an aging population and increasing diversity. At the same time, slower labor force growth increases the importance of productivity growth to enable the economy to expand output, to support increasing numbers of older, retired workers, and to facilitate increased living standards. Innovation, capital investment, and investment in education and training create a foundation for future economic growth.

The goal of the Department of Labor is to ensure that the workforce has access to the information, training, and resources that will help them acquire the skills they need to access the growing opportunities in today's economy. Since the beginning of my tenure in January 2001, and through Department-wide effort, persistence and teamwork, we have helped prepare the Department to do just that. The public workforce system has been evolving to meet the challenges and the needs of the workforce. The Department has also focused on expanding access to education and training, upgrading skills to open opportunities in high-growth industries, and aligning regional resources – talent, employers and education – to promote job creation and prosperity for America's workers.

Finally, a culture has been instituted that focuses on high performance, program evaluation, and a continuous search for opportunities to improve programs and deliver key results. This culture furthers the Department's mission to *"foster and promote the welfare of job seekers, wage earners, and retirees of the U.S. by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening collective bargaining, and tracking changes in employment, prices and other national economic measures."* We are proud of this record and are confident that succeeding Administrations can build on it to benefit workers in the years ahead.

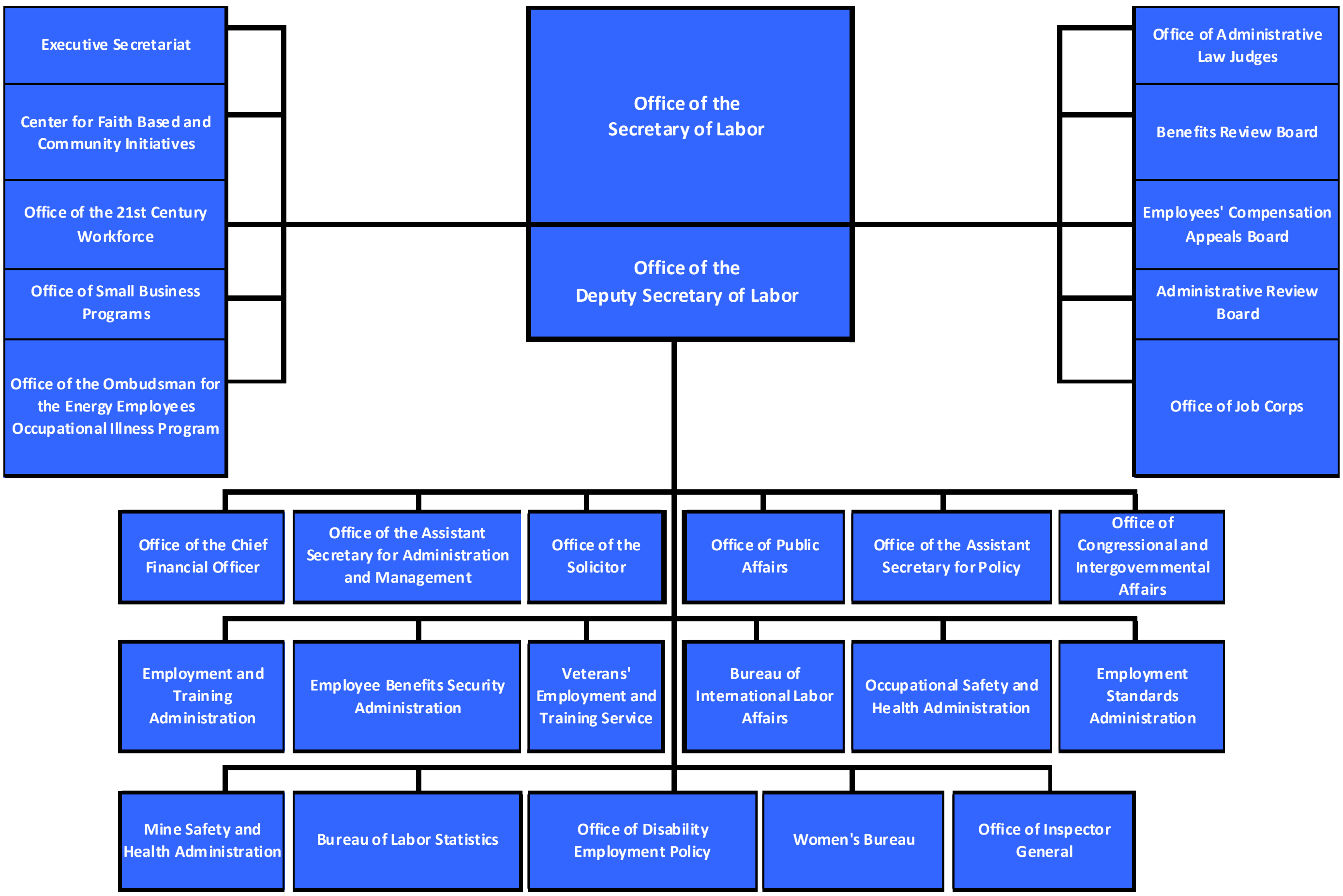


Elaine L. Chao
Secretary of Labor

Management's Discussion and Analysis

Organization and Program Activities

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



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

Employment and Training	
Employment and Training Administration	Provides job training and education, employment, labor market information, and income maintenance services.
Veterans' Employment and Training Service	Helps veterans, reservists, and National Guard members to secure and to maintain employment and reemployment rights.
Office of Job Corps	Provides job training and education to disadvantaged youth ages 16 through 24.
Women's Bureau	Promotes profitable employment opportunities for women.
Office of Disability Employment Policy	Increases employment opportunities for people with disabilities.
Unemployment Insurance	
Unemployment Insurance	ETA administers programs that provide unemployment benefits to eligible workers.
Workers' Compensation	
Office of Workers' Compensation Program	Provides wage replacement and other benefits to Federal and certain other workers injured at work or who acquire an occupational disease.
Workplace Safety and Health	
Occupational Safety and Health Administration	Promotes safe and healthful working conditions for America's workers by enforcing compliance with the Occupational Safety and Health Act.
Mine Safety and Health Administration	Promotes the safety and health of the Nation's 350,000 miners by enforcing compliance with Federal mine safety and health laws.
Employment Standards Administration	Advances and protects the welfare and rights of, and generates equal employment opportunity for, American workers.
Health Plan and Retirement Benefit Protections	
Employee Benefits Security Administration	Responsible for administering and enforcing provisions of the Employee Retirement Income Security Act (ERISA).
Pension Benefit Guaranty Corporation	Protects retirement-plan participants' pension benefits and supports a healthy retirement plan system.
Labor Statistics	
Bureau of Labor Statistics	Provides economic and employment statistics, including data on employment, wages, inflation, productivity, and many other relevant topics.
International Policy	
Bureau of International Labor Affairs	Develops policy and programs relating to international labor activities.

Report Outline

This report is divided into four sections:

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

- *Management's Discussion and Analysis* (MD&A) introduces the Department's mission, vision, organization, and activities; summarizes program and financial performance, including Program Assessment Rating Tool reviews and compliance with relevant financial management legislation; addresses top management challenges such as those identified annually by the Office of Inspector General (OIG); and reports on DOL's implementation of the President's Management Agenda.

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

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

Two other sections at the end of the report supplement the performance and financial sections: *Other Accompanying Information* provides additional information on improper payments reduction and *Appendices* include a list of acronyms and a list of Web sites featuring labor programs and issues.

Program Performance Overview

Fiscal Year (FY) 2008 marks the 10th year that the Department has reported program results under the Government Performance and Results Act (GPRA). Most DOL program level goals and indicators for this reporting period are included in the FY 2009 Performance Budget Overview[2]; they provide the basis for assessments of DOL's effectiveness. The Department's goal structure has three levels:

Strategic Goals
In its FY 2006-2011 Strategic Plan[3], the Department identified four goals that serve to focus its various activities on outcomes associated with a common mission:

Goal 1 – *A Prepared Workforce*: *Develop a prepared workforce by providing effective training and support services to new and incumbent workers and supplying high quality information on the economy and labor market.*

Goal 2 – *A Competitive Workforce*: *Meet the competitive labor demands of the worldwide economy by enhancing the effectiveness and efficiency of the workforce development and regulatory systems that assist workers and employers in meeting the challenges of global competition.*

Goal 3 – *Safe and Secure Workplaces*: *Promote workplaces that are safe, healthful and fair; guarantee workers receive the wages due them; foster equal opportunity in employment; and protect veterans' employment and reemployment rights.*

Goal 4 – *Strengthened Economic Protections*: *Protect and strengthen worker economic security through effective and efficient provision of unemployment insurance and workers' compensation; ensuring union transparency; and securing pension and health benefits.*

Performance Goals
Each strategic goal is supported by several performance goals that are aligned with DOL's organization and appropriations to provide clarity of purpose and accountability at the program level. This report includes 24 performance goals.

Performance Indicators
Achievement is determined at the performance goal level by one or more quantitative indicators (83 for this reporting period) that are combined by a strict, transparent rule.[4]

DOL Program Performance and Net Costs

The following table indicates FY 2008 program performance goal achievement by strategic goal. Seven of the 24 performance goals are for forward funded Workforce Investment Act (WIA) programs whose spending and performance are reported for a Program Year (PY) that lags the Federal fiscal year by nine months. Hence, these programs are reporting on a different period (PY 2007 – July 1, 2007 to June 30, 2008).[5] The total of 50 percent achieved or substantially achieved compares with 64 percent last year. At the indicator level, the percent of targets reached or results improved was 71 percent, compared to 79 percent last year. A tally of goals achieved or indicator targets reached indicates whether DOL is on schedule with its plan; obviously our performance this year

[2] See http://www.dol.gov/dol/budget/.

[3] See http://www.dol.gov/_sec/stratplan/main.htm.

[4] Achieved means all indicator targets were reached. Substantially Achieved means targets are reached or results improved over the prior year for all indicators if there are four or fewer and for 80 percent if there are five or more.

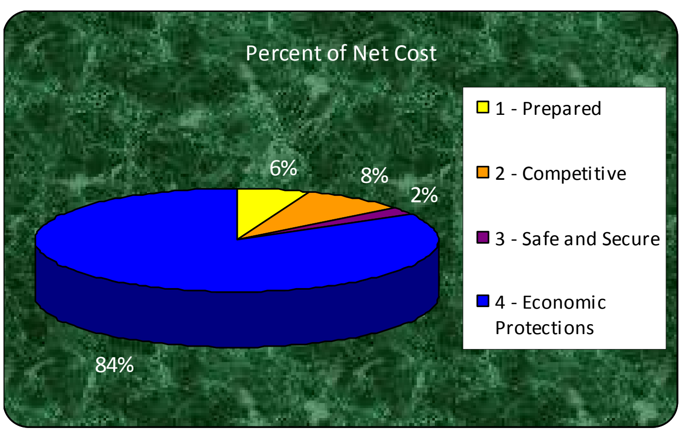
[5] PY 2008 results for these goals (1B-Job Corps, 1C-WIA Youth, 1E-VETS Employment Services, 2A-WIA Adult, 2B-WIA Dislocated Worker, 2C-One-Stop Employment and Workforce Information Services, and 2D-Senior Community Service Employment Program) will be reported in the FY 2009 Performance and Accountability Report.

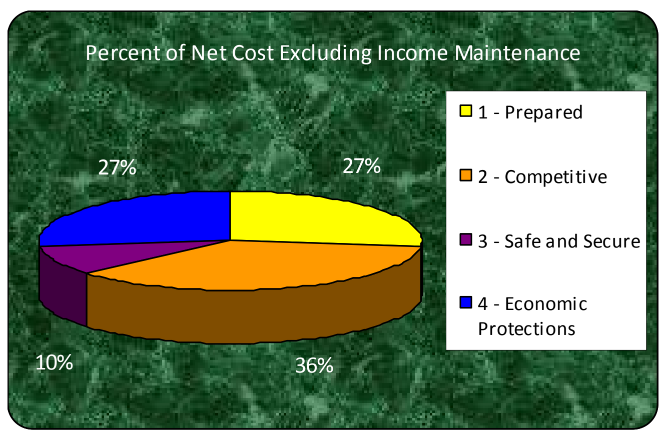
was mixed. However, there is no single explanation for the successes or the failures. To understand what was achieved in terms of benefits to the public, look at how activities impact outcomes and consider significant trends in the data and their implications. Narratives in the Performance Section, which are organized by strategic and performance goal, discuss these matters.

Strategic Goals	FY 2008/PY 2007 Performance Goal Achievement Summary				
	Goals Achieved	Substantially Achieved	Not Achieved	Total	Percent Achieved or Substantially Achieved
Goal 1 – *A Prepared Workforce*	2	0	3	5	40%
Goal 2 – *A Competitive Workforce*	4	2	3	9	67%
Goal 3 – *Safe and Secure Workplaces*	1	1	3	5	40%
Goal 4 – *Strengthened Economic Protections*	1	1	3	5	40%
Total	**8**	**4**	**12**	**24**	**50%**

Total Net Cost[6] of DOL activities for FY 2008 was $58.307 billion. An allocation based on the Department's goal structure indicates that Goal 4 is dominant – accounting for $48.957 billion, or 84 percent of the total (see first chart below). Most of these costs are *mandatory* – unemployment benefit payments to individuals who are laid off or out of work and seeking employment ($42.281 billion) plus disability benefit payments to individuals who suffered injury or illness on the job ($3.204 billion). The second chart illustrates allocation of an adjusted net cost of $12.822 billion that excludes these Income Maintenance expenditures. On this basis, Goal 4 accounts for 27 percent of the total.

Goal 1 required $3.464 billion (six percent and 27 percent of unadjusted and adjusted totals) for employment-related services. Goal 2 accounted for $4.829 billion, eight percent and 36 percent, respectively, which went toward job training programs and other services focused on maintaining America's position in a global market for labor. Approximately $1.281 billion (two percent and 10 percent of the totals) went toward Goal 3 to fund direct services (such as salaries of Federal employees) aimed at improving safety and health in the workplace.





The next table provides a comprehensive view of performance goal achievement and cost information. It is important to note that while all net cost information in this report is derived from the same financial accounting system, DOLAR$, there are significant differences between statements in the Performance Section and in the Financial Section due to the Department's numerous forward-funded programs (i.e., those operating on a Program

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

Year). Most DOL programs also associate costs with their performance indicators; this information is provided in the Performance Section. For many performance goals, charts display four years of net cost data.

Goal	FY 2008/PY 2007 Program Performance	Net Costs in $millions		
		FY 2006 PY 2005	FY 2007[7] PY 2006	FY 2008 PY 2007
Strategic Goal 1: *A Prepared Workforce*	**Two goals achieved and three not achieved**	**$3,360**	**$3,267**	**$3,464**
Performance Goal 08-1A (BLS)	Not Achieved	573	574	574
Performance Goal 07-1B (Job Corps)	Not Achieved	1,402	1,485	1,589
Performance Goal 07-1C (WIA Youth)	Achieved	1,017	866	966
Performance Goal 08-1D (Apprenticeship)	Not Achieved	25	24	25
Performance Goal 07-1E (VETS Employment Services)	Achieved	212	211	221
Other (Youth Offender Reintegration, Indian and Native American Youth Programs, etc.)	–	131	107	89
Strategic Goal 2: *A Competitive Workforce*	**Four goals achieved, two substantially achieved, and three not achieved**	**$5,064**	**$5,060**	**$4,829**
Performance Goal 07-2A (WIA Adult)	Not Achieved	912	896	844
Performance Goal 07-2B (WIA Dislocated Worker)	Not Achieved	1,543	1,409	1,307
Performance Goal 07-2C (One-Stop Employment and Workforce Information Services)	Achieved	884	749	732
Performance Goal 07-2D (Senior Community Service Employment Program)	Substantially Achieved	432	444	479
Performance Goal 08-2E (Trade Adjustment Assistance)	Not Achieved	700	805	755
Performance Goal 08-2F (Foreign Labor Certification)	Substantially Achieved	46	63	40
Performance Goal 08-2G (ODEP)	Achieved	50	34	27
Performance Goal 08-2G (OASP)[8]	Achieved	–	–	–
Performance Goal 08-2I (ILAB)	Achieved	95	101	79
Other (Indian and Native American Adult Programs, National Farmworker Jobs Program, Work Incentive Grants, Transition Assistance Program, Pilots, Demonstrations, Research & Evaluations, Community Based Job Training Grants, H-1B Technical Skills Training, National Electronic Tools and other ILAB programs)	–	402	560	566

[7] PY 2006 costs were restated since publication of the FY 2007 Performance and Accountability Report to correct improper inclusion of $198 million in revenue for Job Corps. The restatement also applied a more accurate means of splitting total grant costs to the ETA programs. This change affected net costs for Job Corps, WIA Youth, Goal 1 Other, WIA Adult, WIA Dislocated Worker, One-Stop Employment and Workforce Information Services, Senior Community Service Employment Program, Trade Adjustment Assistance, Goal 2 Other, and Unemployment Insurance. The most significant changes from the prior statement were for for Job Corps (+20 percent), Goal 1 Other (-27 percent), and Goal 2 Other (+32 percent).

[8] Costs associated with Performance Goal 07-2J (OASP) are included in costs allocated to other performance goals.

Goal	FY 2008/PY 2007 Program Performance	Net Costs in $millions		
		FY 2006 PY 2005	FY 2007[7] PY 2006	FY 2008 PY 2007
Strategic Goal 3: *Safe and Secure Workplaces*	**One goal achieved and four not achieved**	**$1,189**	**$1,237**	**$1,281**
Performance Goals 08-3A (OSHA)	Achieved	519	547	554
Performance Goal 08-3B (MSHA)	Substantially Achieved	348	356	388
Performance Goal 08-3C (Wage and Hour)	Not Achieved	214	221	227
Performance Goal 08-3D (Federal Contractor Compliance)	Not Achieved	97	103	102
Performance Goal 08-3E (USERRA)	Not Achieved	11	10	10
Strategic Goal 4: *Strengthened Economic Protections*	**Two goals achieved, one substantially achieved, and two not achieved**	**$35,705**	**$38,445**	**$48,957**
Performance Goal 08-4A (Unemployment Insurance)	Not Achieved	33,340	34,647	45,035
Performance Goal 08-4B (Workers' compensation)	Substantially Achieved	2,130	3,554	3,693
Performance Goal 08-4C (Labor-Management Standards)	Not Achieved	56	68	58
Performance Goal 08-4D (EBSA)	Achieved	179	176	170
Performance Goal 08-4E (PBGC)[9]	Not Achieved	–	–	–
Costs Not Assigned to Goals		**$10**	**$10**	**$10**
Total[10]		**$45,328**	**$48,019**	**$58,540**
Reconciliation to the Consolidated Statements of Net Costs:				
Less costs for programs included above on a program year basis (July 1 to June 30)		**$6,659**	**$6,433**	**$6,490**
Plus costs for these same programs on a fiscal year basis (October 1 to September 30)		**$6,205**	**$6,704**	**$6,257**
Net Cost of Operations per Consolidated Statements of Net Costs		**$44,874**	**$48,291**	**$58,307**

Cost of Regulations Enforced by DOL

The Department enforces a broad range of regulations that provide, as represented in two of its strategic goals, *Safe and Secure Workplaces* and *Strengthened Economic Protections*.[11] Cost data reported in the preceding table – and in the Financial Section of this report – do not include the costs incurred by non-DOL entities to comply with these regulations, most notably the private sector. To further improve transparency and accountability of our PAR, this section provides examples of the economic impact of some of DOL's major rules.[12] In the Performance Section,

[9] Costs for Performance Goal 07-4E (PBGC) are not referenced because PBGC's financial statements are not part of the Department's consolidated statements. PBGC's financial statements can be found in their Annual Management Report at http://www.pbgc.gov/docs/2008AMR.pdf.

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

[11] Most DOL regulations are issued by the Occupational Safety and Health Administration (OSHA), Mine Safety and Health Administration (MSHA), Employment Standards Administration (ESA), Employment and Training Administration (ETA), and Employee Benefits Security Administration (EBSA).

[12] Major rules include those likely to result in (A) an annual effect on the economy of $100 million or more; (B) a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies, or geographic regions; or (C) significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets – per the Small Business Regulatory Enforcement Fairness Act of 1996 – or that may result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of $100 million or more (adjusted annually for inflation) in any one year – under the

we quantify our results (benefits) via outcome or output indicators that are seldom monetized, or valued in dollars. All regulatory agencies are required to produce estimates of the monetary value of both the cost and benefits for major rules.[13]

Last year, we reported on two major rules: Occupational Exposure to Hexavalent Chromium (OSHA) and Emergency Mine Evacuation (MSHA).[14] Listed below are other examples of major final rules completed by DOL in recent years.[15] Headings include the rule name, identifier number, date published in the Federal Register, and related performance goal. Summary text describes the purpose and estimated economic impact.

Annual Reporting and Disclosure; Revision of Annual Information Return/Reports (RIN 1210-AB06 and 1210-AB14, November 16, 2007) – EBSA/Performance Goal 08-4D
The amendments contained in this rule revise the Form 5500 Series, Annual Return/Report of Employee Benefit Plan, and related regulations. The changes are intended to facilitate the transition to an electronic filing system, reduce and streamline annual reporting burdens, especially for small businesses, and update the annual reporting forms to reflect current issues, agency priorities and new requirements under the Pension Protection Act of 2006. Over the next ten years, the Department anticipates an average annual reduction of $97 million – about 23 percent – in reporting costs.

Default Investment Alternatives Under Participant Directed Individual Account Plans (RIN 1210-AB10, October 24, 2007) – EBSA/Performance Goal 08-4D
This rule provides a safe harbor for pension plan fiduciaries that select and invest funds on behalf of participants in defined contribution plans who don't give instructions on how they want their funds invested. Fiduciaries investing funds for participants would be required to select investment options (i.e., default investment alternatives) that meet specified criteria. This rule describes the types of investments that qualify as default investments in order to obtain fiduciary relief. Plan sponsors may incur some administrative costs in order to meet the conditions of the regulation. The Department generally expects such costs to be low. By facilitating the adoption of automatic enrollment plans and by encouraging investments appropriate for retirement savings, the Department estimates the rule will result in between $70 billion and $134 billion in retirement savings by 2034.

Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales and Computer Employees (RIN 1215-AA14, April 23, 2004) – ESA/Performance Goal 08-3C
This final regulation under the Fair Labor Standards Act implements the exemption from minimum wage and overtime pay for executive, administrative, professional, outside sales and computer employees (often referred to as the ''white collar'' exemptions). To be considered exempt, employees must meet certain minimum tests related to their primary job duties and, in most cases, must be paid on a salary basis at not less than minimum amounts as specified in pertinent sections of these regulations. Some 19 to 26 million employees are estimated to be within the scope of these regulations. Because the rules had not been adjusted in decades, the final rule imposes additional costs on employers, including up to $375 million in additional annual payroll and $739 million in first-year (i.e., 2004) implementation costs. However, updating and clarifying the rule will reduce Part 541 violations –

Unfunded Mandates Reform Act of 1995 – or that may have an annual effect on the economy of $100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities – per Executive Order 12866.

[13] RegInfo.gov, a Web site produced by the Office of Management and Budget (OMB) and the General Services Administration (GSA), publishes information about the rulemaking process and details of specific actions – proposed and completed – at http://www.reginfo.gov/public/jsp/Utilities/index.jsp.

[14] The OSHA final rule, assigned Regulation Identifier Number (RIN) 1218-AB45 in the Unified Agenda, was published in the Federal Register on February 28, 2006 and summarized on page 28 of DOL's FY 2007 PAR. MSHA'S final rule (RIN 1219-AB46) was published on December 8, 2006 and summarized in a vignette on page 127 of the FY 2007 PAR.

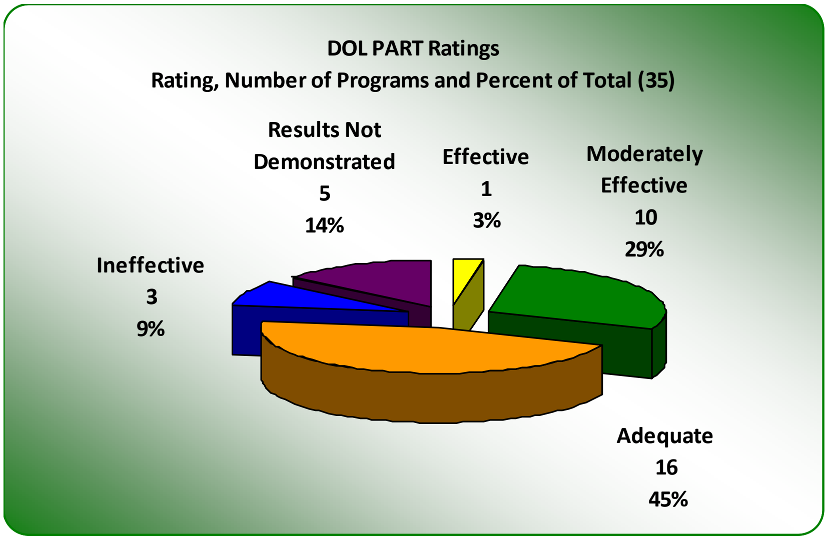
[15] Several of the major rules completed by DOL in recent years are also discussed in the Office of Information and Regulatory Affairs (OIRA) 2008 Report to Congress on the Benefits and Costs of Federal Regulations and Unfunded Mandates on State, Local and Tribal Entities.

and liquidated damages – and are estimated to save businesses at least an additional $252.2 million every year that could be used to create new jobs.

Performance of Functions; Claims for Compensation Under the Energy Employees Occupational Illness Compensation Program Act of 2000 (RIN 1215-AB51, December 29, 2006) – ESA/Performance Goal 08-4B
This rule governs DOL responsibilities under the Energy Employees Occupational Illness Compensation Program Act of 2000, as amended (EEOICPA or Act). DOL administers both Part B and Part E of EEOICPA. Part B provides lump-sum payments of $150,000 and medical benefits to covered employees and, where applicable, to survivors of such employees, of the Department of Energy (DOE), its predecessor agencies and certain DOE vendors, contractors and subcontractors. Part B also provides lump-sum payments of $50,000 and medical benefits to individuals found eligible by the Department of Justice (DOJ) for $100,000 under section 5 of the Radiation Exposure Compensation Act (RECA) and, where applicable, to their survivors. Part E of the Act provides variable lump-sum payments (based on a worker's permanent impairment and/or calendar years of qualifying wage-loss) and medical benefits for covered DOE contractor employees and, where applicable, provides variable lump-sum payments to survivors of such employees. Part E also provides these same payments and benefits to uranium miners, millers and ore transporters covered by section 5 of RECA and, where applicable, to survivors of such employees. DOL estimated annual administrative expenses of this regulatory action implementing Part B and Part E of EEOICPA would start at $162 million in FY 2007 and fall to $111 million by FY 2011. Benefit payments were estimated at $1,123 million in FY 2007 and projected to drop to $579 million by FY 2011. OWCP reaps substantial aggregate cost savings that benefit both OWCP (by strengthening the integrity of the program) and the taxpayers to whom the costs of the program are eventually charged.

Employer Payment for Personal Protective Equipment (RIN 1218-AB77, November 15, 2007) – OSHA/Performance Goal 08-3A
Many OSHA health, safety, maritime, and construction standards require employers to provide their employees with protective equipment, including personal protective equipment (PPE), when such equipment is necessary to protect employees from job-related hazards that can result in illnesses, injuries, and fatalities. This rule address PPE of many kinds: hard hats, gloves, goggles, safety shoes, safety glasses, welding helmets and goggles, face shields, chemical protective equipment, fall protection equipment, and so forth. In this rule, OSHA requires employers to pay for the PPE provided, with exceptions for specific items. The rule does not require employers to provide PPE where none has been required before. Taken in its entirety, this final rule will avert approximate 21,798 injuries annually. OSHA estimated the total annual benefits of the final rule to be $349 million under a willingness-to-pay methodology and $228.3 under a direct-cost methodology. OSHA estimated total employer compliance costs to be $85.7 million annually for all establishments.

Program Assessment Rating Tool Reviews



The Program Assessment Rating Tool (PART) was developed to assess and improve programs' outcomes that matter to the public. A review using the PART helps identify a program's strengths and weaknesses to inform funding and management decisions aimed at making the program more effective. Federal programs are scored on their purpose and design, strategic and performance planning, management, and results and accountability. Total scores (0-100) determine ratings: *Effective*, *Moderately Effective*, *Adequate*, *Ineffective*, or *Results Not Demonstrated*. The final category can apply to a program with any score if performance goals and measures are not sufficiently outcome (results) oriented and/or the program does not have adequate data. Summaries of each program's assessment and improvement plan are published on ExpectMore.gov, a site dedicated to making meaningful information about Federal program performance more accessible to the public.

To date, 35 DOL programs have been assessed using the PART. One is rated *Effective*, ten *Moderately Effective*, sixteen *Adequate*, three *Ineffective*, and five *Results Not Demonstrated*. The table below lists the programs as they are identified in *ExpectMore.gov*. For cross-referencing with the performance section of this report, goal numbers are provided. The list is sorted first by the calendar year in which the review was conducted, then by total score.

In addition to clearly reporting program strengths and shortcomings, PART assessments are useful because they lead to improvement plans that enhance accountability and strengthen performance. Improvements DOL has recently implemented include development of new outcome-oriented performance measures for two DOL programs currently rated *Results Not Demonstrated* (Job Training Apprenticeship and YouthBuild) and development and implementation of efficiency measures for each of the DOL programs assessed through the PART.

PART Scores and Ratings

Program/Goal	Year Assessed	Score	Rating
Federal Employees' Compensation Act/08-4B	2008	74	*Moderately Effective*
Workforce Investment Act – Youth Activities/07-1C	2008	53	*Adequate*
Pension Benefit Guaranty Corporation/08-4E	2007	70	*Moderately Effective*
Energy Employees Occupational Injury Compensation Program/08-4B	2007	61	*Adequate*
Dislocated Worker National Emergency Grants/07-2B	2007	56	*Adequate*
Occupational Safety and Health Administration/08-3A	2007	56	*Adequate*
Job Corps/07-1B	2007	55	*Adequate*
Trade Adjustment Assistance/08-2E	2007	49	*Ineffective*

PART Scores and Ratings			
Program/Goal	Year Assessed	Score	Rating
Homeless Veterans' Reintegration Program/07-1E	2006	82	*Moderately Effective*
Wage and Hour Enforcement and Compliance Program/08-3C	2006	73	*Moderately Effective*
Office of the Solicitor	2006	71	*Moderately Effective*
Office of Disability Employment Policy/08-2G	2006	41	*Results Not Demonstrated*
YouthBuild	2006	37	*Results Not Demonstrated*
Veterans' Employment and Training State Grants/07-1E	2005	76	*Moderately Effective*
Work Incentive Grants	2005	57	*Adequate*
Office of Labor Management Standards/08-4C	2005	55	*Adequate*
Longshore and Harbors Workers' Compensation Program/08-4B	2005	54	*Adequate*
Workforce Investment Act - Adult Employment and Training/07-2A	2005	53	*Adequate*
Job Training Apprenticeship/08-1D	2005	45	*Results Not Demonstrated*
Women's Bureau	2005	41	*Results Not Demonstrated*
H-1B Work Visa for Specialty Occupations – Labor Condition Application/08-2F	2004	78	*Moderately Effective*
Employee Benefits Security Administration/08-4D	2004	71	*Moderately Effective*
Office of Federal Contract Compliance Programs/08-3D	2004	65	*Adequate*
Permanent Labor Certification/07-2F	2004	64	*Adequate*
Wagner-Peyser Act – Employment Service/07-2C	2004	56	*Adequate*
International Child Labor and Office of Foreign Relations/08-2I	2004	51	*Adequate*
Workforce Investment Act – Native American Programs	2004	51	*Adequate*
Bureau of Labor Statistics/08-1A	2003	88	*Effective*
Unemployment Insurance Administration State Grants/08-4A	2003	74	*Moderately Effective*
Black Lung Benefits Program/08-4B	2003	71	*Moderately Effective*
Mine Safety and Health Administration/08-3B	2003	55	*Adequate*
Workforce Investment Act – Dislocated Worker Assistance/07-2B	2003	50	*Adequate*
Workforce Investment Act – Migrant and Seasonal Farmworkers	2003	38	*Ineffective*
Prevailing Wage Determination Program/08-3C	2003	29	*Results Not Demonstrated*
Senior Community Service Employment Program/07-2D	2003	28	*Ineffective*

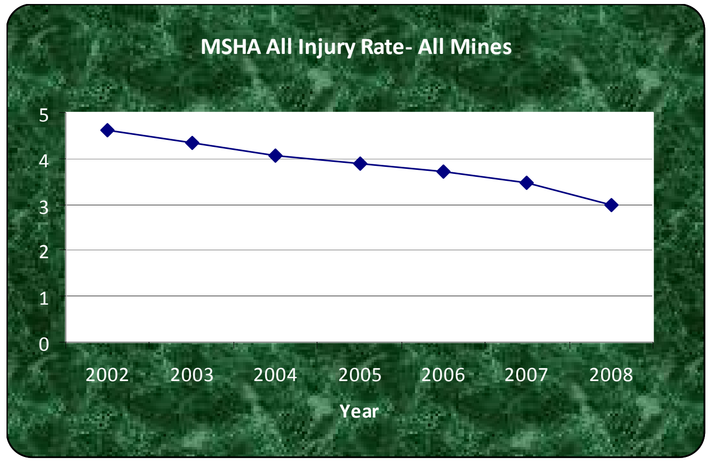
DOL's Tradition of Program Performance Improvement: *Selected Accomplishments from 2001-2008*

The Department of Labor has undergone many changes over the past eight years, but each year, DOL furthers its mission to *"foster and promote the welfare of job seekers, wage earners, and retirees of the U.S. by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening collective bargaining, and tracking changes in employment, prices and other national economic measures."* The following highlights of program and management accomplishments are organized around elements of this mission and DOL's stewardship of resources.

"Improving working conditions"

√ **MSHA**. In 2008, the all-injury rate (including fatalities) in the mining industry reached an all-time low of 3.19 incidents per 200,000 hours worked (estimated) – a ***33 percent*** decline over the last six years.

√ **OSHA.** Since 2003**,** the rate of cases involving days away from work, job restriction, or job transfer **h**as declined by ***19 percent*** -- from a rate of 2.6 cases per 100 fulltime workers to 2.1 cases in 2007, according to the most recent data available**.**



√ Since FY 2001, **ILAB** has prevented or withdrawn more than ***1.2 million*** children from exploitive child labor in over ***75*** countries worldwide through its international technical assistance projects.

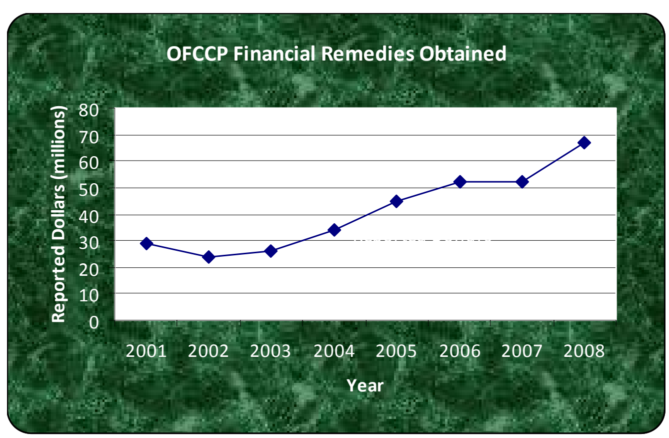
MSHA: ***Improving Protections for Miners through the MINER Act***

The Mine Improvement and New Emergency Response Act of 2006, also known as the MINER Act, signed into law by President George W. Bush on June 15, 2006, is the most significant mine safety legislation since the Mine Safety and Health Act of 1977. In 2006 and 2007, the Department quickly and successfully implemented key provisions of this Act, including the publication of rules on emergency mine evacuation, civil penalties for violations and new safety requirements for seal strength criteria and construction – all of which provide better protections for our nation's miners. Photo Credit: DOL./MSHA

"Advancing opportunities for profitable employment"

√ ESA's **Office of Labor Management Standards** increased protection of union members' rights by enforcing the laws on union transparency and democracy through its investigations and compliance program. In 2008, the number of indictments reached 130 – an increase of ***31 percent*** from 2001. The number of financial compliance audits rose by ***232 percent*** – from 238 in 2001 to 791 in 2007.

√ ESA's **Office of Federal Contractor Compliance Programs'** efforts to ensure that Federal contractors achieve equal opportunity workplaces resulted in a ***170 percent* increase** from FY 2001 in the number of Americans recovering back pay and benefits.



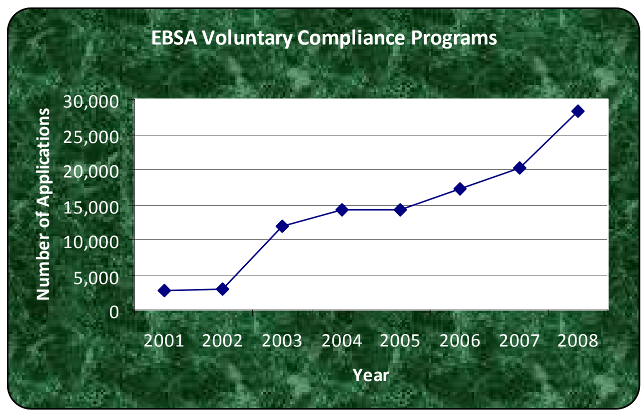
√ From FY 2001-08, ESA's **Wage and Hour Division** (WHD) recouped more than **$1.46 billion** for **over two** million workers. In FY 2007, **341,624 workers** received back wages of **$220,613,703**, the highest back wage recovery in one fiscal year – a ***67 percent*** increase since 2001.

ESA/WHD: *Protecting Low-Wage Workers in the Gulf Coast Region*

In 2005, Hurricanes Katrina and Rita devastated the Gulf Coast. Within months, employees of ESA's Wage and Hour Division (WHD) began securing wages on behalf of the men and women who were engaged in the clean up and rebuilding efforts. Since then, WHD has opened nearly **800** hurricane-related cases and collected over **$10 million** in back wages for **14,000** workers. WHD faced significant challenges in responding to increases in federal contracts in the region, including establishment of employer accountability related to large government contracts with multiple layers of subcontracting and frequent interstate travel by small cleanup crews. WHD responded to these challenges by using innovative compliance outreach, working with faith-based organizations, community activists, the federal contracting community, foreign consulates, and local media to provide information to employers and employees of the region. WHD detailed investigators to area offices on a temporary rotational basis, and used virtually every enforcement tool at its disposal: directed cases, complaint cases, conciliations, withholding of funds on federal contracts, debarments, litigation, and referrals to criminal prosecutors to ensure compliance on behalf of workers. In responding to the recent hurricanes, WHD offices along the Gulf Coast have stepped up efforts to reach affected workers by providing public service announcements over the radio and visiting relocation centers. WHD is also coordinating with Federal agencies engaged in clean-up and reconstruction in the affected areas to promote compliance with Federal government contracting labor statutes. Photo Credit: DOL/WHD

"Protecting retirement and health care benefits"

√ Between 2001 and 2008, **EBSA** closed over ***32,000*** civil and ***1,400*** criminal cases. Since 2001, EBSA has received over ***111,000*** filings from plan officials and administrators who want to self-correct plan violations through the agency's voluntary compliance programs.



√ **EBSA**'s record-setting enforcement program has yielded ***$12 billion*** in monetary results and more than ***900*** criminal indictments since 2001 for retirement and health benefit plans.

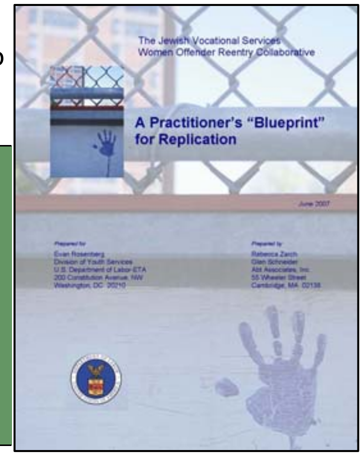
√ **OWCP** has paid over ***$4 billion*** in compensation benefits to covered employees and survivors since the Energy Employees Occupational Illness Compensation Program's inception in 2001.

Black Lung Benefits Act: *30 Years of Results*

In August 2008, OWCP paused to reflect on the results of the Black Lung Benefits Act. ESA's Black Lung Offices in Charleston and Parkersburg, West Virginia, were created as a result of the 1978 enactment of amendments to the *Federal Coal Mine Health and Safety Act of 1969* – which established the Black Lung program. The program provides monthly benefit payments to coal miners totally disabled as a result of pneumoconiosis, to the widows of coal miners who died as a result of pneumoconiosis, and to their dependents. Jim DeMarce, the Director of OWCP's Black Lung program, is shown presenting an award to Dr. Donald L. Rasmussen, a Beckley, West Virginia, doctor who was instrumental in first securing black lung benefits for miners. Photo Credit: *The Charleston Gazette*, Lawrence Pierce

"Helping employers find workers"

√ In 2005, the Department started to integrate workforce development with economic development strategies and to demonstrate that a trained workforce can generate regional economic development and job creation through the WIRED initiative. The WIRED initiative operates in 39 regional economies in 31 States and Puerto Rico. Through 2008, DOL has invested **$335.7 million** in WIRED and leveraged over **$596 million** in additional investments from federal agency partners, state universities, land grant colleges, private sector partners, foundations and states to support innovate approaches to education and workforce development.



ETA: ***Getting Ex-Offenders to Work***

In 2004, the Department's Center for Faith-Based and Community Initiatives (CFBCI), in partnership with ETA, launched the Prisoner Reentry Initiative designed to strengthen urban communities by competitively awarding grants to employment-centered organizations that provide mentoring, job training and other transitional services for ex-offenders. The Prisoner Reentry Initiative has cumulatively enrolled more than **14,569** participants, helped **9,547** ex-prisoners find work, and lowered the participant recidivism rate to **15 percent**, which is less than half the Justice Department's national benchmark.

"Tracking changes in employment, price and other national measures"

√ **BLS** has increased the use of electronic data collection methods, such as its Internet Data Collection Facility (IDCF), which offers a wider range of reporting options as well as greater efficiency. Use of IDCF has increased ***nine-fold*** from FY 2004 (100,145) to FY 2008 (972,605), with further increases projected for FY 2009 and 2010.

BLS: ***Helping students to explore future occupations***

For high school sophomores, the Morris Business and Professional Women operate a "Reality Store," which shows them the standard-of-living they can expect to achieve based on their career choices. The group uses data from the Occupational Employment Statistics program to determine how much "income" the students may earn, and data from the Consumer Expenditure Survey to set the costs for various necessities and luxury goods available for "purchase" in stores set up at school. The Reality Store gives students a realistic look at the quality of life they can expect to attain from their chosen occupations, motivating them to take more seriously their remaining years in high school and possibly continuing on to higher education. Sara, of Minooka Community High School, had "heard the numbers before, but this really helped me realize what some things cost – groceries and kids are both expensive!" Photo Credit: DOL/BLS

"Stewardship over public funds"

√ The Department has always put an emphasis on sound management and it was only fitting that – when President George W. Bush introduced his Management Agenda (PMA) in 2001 – DOL eagerly began implementing its initiatives and made solid, demonstrable progress. In fact, by the third Quarter of FY 2005, DOL became the *first* agency to achieve green status scores for all five government-wide initiatives. As highlighted on the September 30, 2008 PMA scorecard, DOL has continued its momentum and has also achieved green scores in the agency-specific initiatives of *Eliminating Improper Payments, Faith-Based and Community Initiative,* and *Real Property Asset Management*.

√ DOL received its ***twelfth*** consecutive unqualified audit opinion and its ***eighth*** consecutive *Certificate of Excellence in Accountability Reporting* from the Association of Government Accountants, both of which demonstrate the effective stewardship of taxpayers' hard-earned dollars.

DOL Accolades: *2001-2008*

★ President's Quality Awards for *Expanded Electronic Government* (2006), *Performance in Integrating Management Systems* (2005), *Strategic Management of Human Capital* (2004), and *Budget and Performance Integration* (2004).

★ DOL's *Performance and Accountability Report* (*PAR*) has been ranked #1 or #2 in each of the last six years by the George Mason University Mercatus Center, including four consecutive #1 rankings for DOL's 2002-2005 reports. In addition, Mercatus cited DOL's 2007 PAR Highlights Report as the best in government.

★ The Performance Institute's Top E-Gov Award (2002).

★ Government Executive's Grace Hopper Government Technology Award for GovBenefits.gov (2002).

Financial Performance Overview

Improving financial management continues to be a cornerstone of the Department's efforts to deliver services effectively and efficiently to its constituents. By providing tools to ensure more informed decision-making throughout the organization, focusing on transparency and accountability, and maintaining a strong internal control system, the Department continues to maximize the value of each taxpayer dollar it receives.

In FY 2008, DOL continued its efforts to provide program managers with timely and reliable cost information for use in managerial decisions to improve operating economy and efficiency. DOL's managerial cost accounting initiative, Cost Analysis Manager (CAM), allows the Department to determine the full costs of achieving each of its quarterly performance results.

As one of the first Department-wide managerial cost accounting initiatives in the federal sector, the CAM Program has maintained high profile visibility within the DOL, the Office of Management and Budget (OMB), the U.S. Congress, and the Government Accountability Office (GAO). Since inception, the OCFO CAM Team has worked closely with 15 agencies to develop 18 models and train over 200 users across the Department's national and regional offices. The CAM Program Team maintains constant dialogue with the users and facilitates a quarterly DOL CAM User Group meeting for agency CAM Team leads as well as representatives from the Office of Inspector General and the DOL Center for Program Planning and Results (CPPR). These meetings enable agency executives and program managers to share best practices, review lessons learned, and communicate the status of the CAM Program.

The CAM Program continues to provide a structured approach that follows a Federal Accounting Standards Advisory Board (FASAB) endorsed best practice methodology that senior stakeholders, budget directors, and program managers use to report managerial cost accounting information. DOL's CAM Program directly supports the section of the PAR that highlights Program Net Costs and the Statement of Net Costs. Total Net Costs of DOL activities for FY 2008 were $58.3 billion.

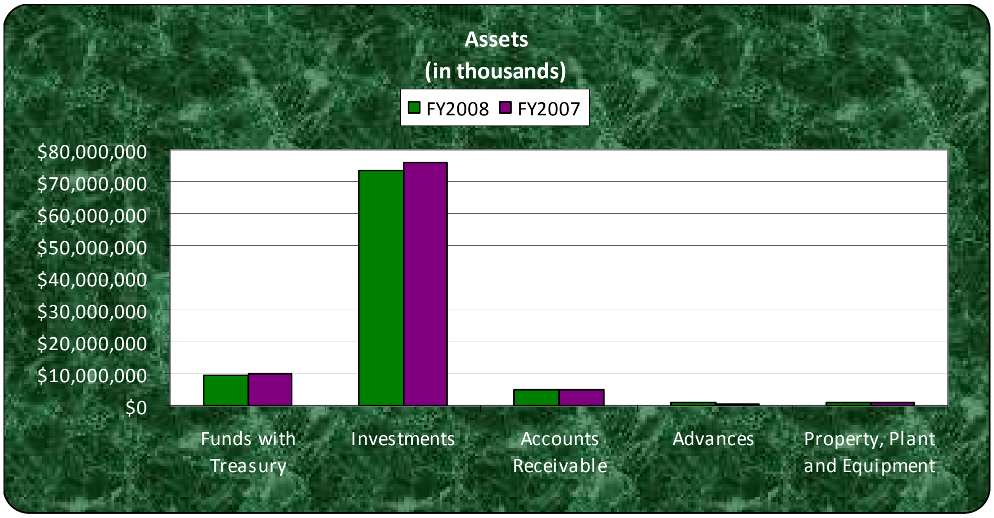
The Debt Collection Improvement Act (DCIA) of 1996 designated the Department of the Treasury as the central agency for collection of debts owed the Federal government. Debt management accounts for a relatively small part of DOL's financial management activities; however, the majority of debts managed by DOL relate to the assessment of fines and penalties as a result of its enforcement programs. Through the third quarter of FY 2008, DOL referred debt in the amount of $79,558,619 to the Treasury for collection. This amount represents 65 percent of delinquent debt required to be referred for collection. DOL continues to monitor and aggressively pursue delinquent debt and will continue to refer eligible debt to Treasury for collection.

The Department continues to make improvements in its efforts to meet guidance and regulations outlined in the *Prompt Payment Act (PPA)*. The PPA requires Executive agencies to pay commercial obligations within discrete time periods and to pay interest penalties when those time constraints are not met. During FY 2008, approximately $1.3 billion in gross payments were made. Included in this amount was just over $164,000 in interest penalty fees. Also during FY 2008, there were over 111,000 payments made to vendors and travelers. Of this amount, 3,348 invoices were paid late resulting in only 3 percent of the total payments incurring interest penalties.

The Department continues to work aggressively with its agencies to increase the number of vendors receiving payments through *electronic fund transfer (EFT)*. The total number of vendors receiving EFT payments in FY 2008 remains the same as in FY 2007 at 99 percent as the fiscal year ended. Although our Employment Standards Administration is continuing to promote EFT payments for their benefit and medical programs, their percentage rates continue to remain below Treasury's goal of 98 percent.

Analysis of Financial Statements

The principal financial statements summarize the Department's financial position, net cost of operations, and changes in net position, provide information on budgetary resources and financing, and present the sources and disposition of custodial revenues for FY 2008 and FY 2007. Highlights of the financial information presented in the principal financial statements are shown below.

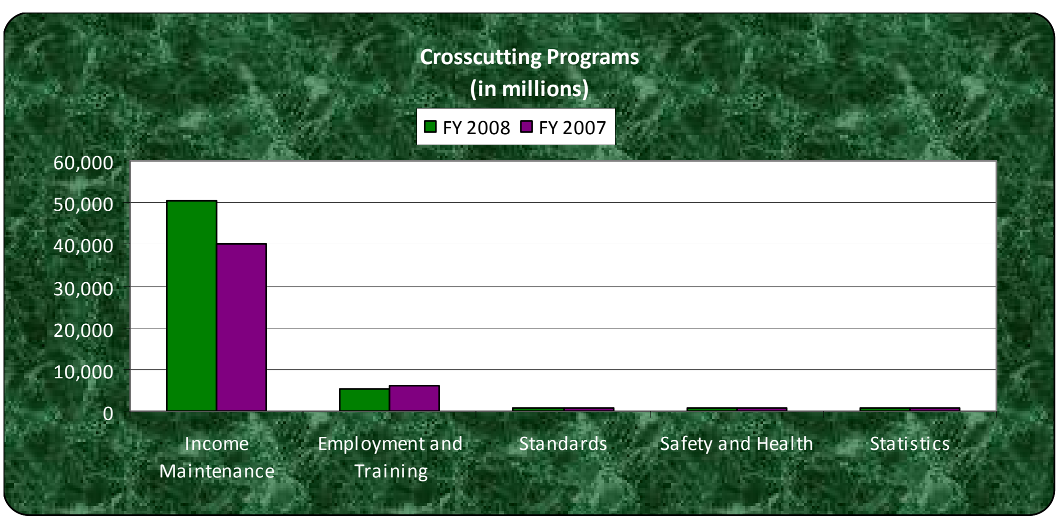


Financial Position

The Department's Balance Sheet presents its financial position through the identification of agency assets, liabilities, and net position. The Department's total assets decreased from $92.8 billion in FY 2007 to $89.9 billion in FY 2008. The Department invests in non-marketable, special issue Treasury securities balances held in the Unemployment Trust Fund. The decrease in total assets primarily was accounted for in these investments as a result of increasing unemployment costs. Liabilities increased from $21.3 billion at the end of FY 2007 to $22.6 billion in FY 2008. This increase was due primarily to increases in liabilities for current and future benefits, as a result of rising unemployment, and an increase in energy compensation and injuries claims.

Net Cost of Operations

The Department's total net cost of operations in FY 2008 was $58.3 billion, an increase of $10.0 billion from the prior year. This increase was attributable to the following crosscutting programs:



Income Maintenance programs continue to comprise the major portion of costs. These programs include costs such as unemployment benefits paid to individuals who are laid off or out of work and seeking employment, as well as payments to individuals who qualify for disability benefits due to injury or illness suffered on the job. Income maintenance increased by $10.5 billion from FY 2007 to FY 2008. The primary reasons for this increase were the increase in regular unemployment paid and the additional weeks of emergency unemployment compensation provided by the enactment of the Supplemental Appropriations Act, 2008 in June.

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

***Statement of Budgetary Resources**.* This statement reports the budgetary resources available to DOL during FY 2008 and FY 2007 to effectively carry out the activities of the Department as well as the status of these resources at the end of each fiscal year. The Department had direct obligations of $62.5 billion in FY 2008, an increase of $10.4 billion from FY 2007.

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

Financial Management Systems and Strategy

During FY 2008, DOL continued to pursue its financial management system strategy to improve reporting, accountability, and decision-making, while furthering implementation of key provisions of the President’s Management Agenda, e-Gov requirements, and other regulatory mandates. The Department seeks to maintain financial management systems, processes, and controls that ensure financial accountability, provide useful information to management, and satisfy Federal laws, regulations, and guidance.

Currently, the DOL’s financial management functions, processes, and activities are distributed across multiple information systems and financial applications, all centered on the Department of Labor Accounting and Related Systems (DOLAR$) mainframe accounting system. DOLAR$ has been in service since 1989 and has been both enhanced and extended to meet Departmental and external requirements. While DOLAR$ has served DOL well over its history and continues to exceed its intended useful life, the DOLAR$ technology is antiquated and no longer able to efficiently and effectively meet DOL’s financial management requirements. DOLAR$ was implemented prior to all of the modern day laws and regulations that drive Federal accounting, financial management systems, financial management reporting and security, such as: the Chief Financial Officers Act of 1990, the Government Performance and Results Act of 1993, the Federal Financial Management Improvement Act of 1996, the Reports Consolidation Act of 2000, and the Federal Information Security Management Act (FISMA) of 2002.

DOL released on January 15, 2008, Request for Proposal (RFP) on Federal Business Opportunities (FBO) for the purpose of obtaining the services of a Financial Management Line of Business (FMLoB) Shared Service Provider (SSP) to modernize DOL’s core financial functions from the current 19 year old mainframe system to the New Core Financial Management System (NCFMS).

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

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

After detailed evaluation of the responses received, DOL selected and issued an award to Global Computer Enterprises (GCE) on June 26, 2008. GCE began work on July 1, 2008 to have the system fully implemented and operational by October 2009.

Reducing Improper Payments

Improved financial performance through the reduction of improper payments continues to be a key financial management focus of the Federal government. At DOL, developing strategies and the means to reduce improper payments is a matter of good stewardship. Accurate payments lower program costs. This is particularly important as budgets have become increasingly tight.

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

The Department has 3 programs that are classified to be at risk of significant improper payments in accordance with OMB criteria or classification--the Unemployment Insurance (UI) benefit program, the Federal Employees' Compensation Act (FECA) benefit program and the Workforce Investment Act (WIA) grant program. The Department performed detailed testing of these three programs to identify improper payments and their major causes. Additionally, in FY 2008 a recovery audit was performed to identify FY 2007 improper contractor payments.

The Department met its improper payments reduction targets. The table below shows the estimated improper payments error rates for the last three fiscal years for the three programs designated as high risk.

DOL Program	FY 2006	FY 2007	FY 2008
Unemployment Insurance	10.7%	10.3%	10.0%
Federal Employees' Compensation Act	.03%	.01%	0.02%
Workforce Investment Act	.17%	.08%	.07%

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

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

Management Assurances

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

FMFIA requires that agencies establish internal control and financial systems that provide reasonable assurance that the integrity of Federal programs and operations is protected. It requires that the head of the agency provide an annual assurance statement whether the agency has met this requirement.

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

Federal Financial Management Improvement Act of 1996 (FFMIA)

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

Federal Managers' Financial Integrity Act

The Department of Labor's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). DOL conducted its assessment of the effectiveness of internal control over the efficiency and effectiveness of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, DOL can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008, was operating effectively and no material weaknesses were found in the design or operation of the internal controls. DOL is also in conformance with Section 4 of FMFIA.

In addition, DOL conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, DOL can provide reasonable assurance that its internal control over financial reporting as of June 30, 2008, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are substantially in compliance with Federal financial management systems requirements, Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. All Department of Labor financial management systems substantially comply with FFMIA as of September 30, 2008.

Elaine L. Chao
Secretary of Labor

Howard M. Radzely
Deputy Secretary of Labor

Douglas W. Webster
Chief Financial Officer

Patrick Pizzella
Assistant Secretary for Administration and Management/Chief Information Officer

November 14, 2008

Top Management Challenges and Management's Response

The Top Management Challenges identified by the Office of the Inspector General (OIG) for the Department of Labor are discussed below. This year the Department's response and presentation of its progress on the Top Management Challenges is integrated with the OIG's statement of these challenges. The OIG's Top Management Challenges are below.

The Department's presentations of its actions and planned actions to address each challenge are displayed in a table below each OIG challenge, and include information from Government Accountability Office (GAO) audits and planned actions identified for FY 2008 from the FY 2007 PAR. At the top of the tables are the Department's own progress assessments for FY 2008 using a stoplight system: ●Green – Actively Implementing All Remedial Actions; ●Yellow – Actively Implementing Most Remedial Actions; and, ●Red – Not Implementing Most Remedial Actions. The narrative in the heading of the table indicates the strategic and performance goals affected by the challenge and when the challenge was first identified. Each table's three columns break out the Management Challenges into specific issues (left column), actions taken in FY 2008 (center column), and actions remaining/expected completion date (right column). Throughout the past year, the Department closely tracked its progress in addressing the Top Management Challenges, with agencies reporting quarterly on their corrective actions. Additional information on many of these management challenges and their specific issues is in the performance goal narratives. The Department aggressively pursues corrective action for all significant challenges, whether identified by the OIG, GAO, the Office of the Chief Financial Officer (OCFO) or other sources within the Department.

2008 Top Management Challenges Facing the Department of Labor

The Department's FY 2008 Top Management Challenges identified by the Office of Inspector General (OIG) are below. For 2008, the OIG considers workplace protection, accountability, integrity of benefit programs, and the delivery of goods and services as the most serious management and performance challenges facing the Department. The OIG assessed the Department's progress in these areas and continues to review and monitor how these complex issues are addressed.

For each challenge, the OIG presents an overview of the challenge, a description of the challenge, and the OIG's assessment of the Department's progress in addressing the challenge. The stoplight rating and the assessment contained in the tables represent the Department's view of its progress in addressing each management challenge.

- Protecting the Safety and Health of Workers
- Improving Performance Accountability of Grants
- Ensuring the Effectiveness of the Job Corps Program
- Safeguarding Unemployment Insurance
- Improving the Federal Employees' Compensation Act Program
- Improving Procurement Integrity
- Maintaining the Integrity of Foreign Labor Certification Programs
- Securing Information Technology Systems and Protecting Related Information Assets
- Ensuring the Security of Employee Benefit Plan Assets
- Preserving Departmental Records

CHALLENGE: Protecting the Safety and Health of Workers

OVERVIEW: The Department of Labor administers the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement Emergency Response Act of 2006, and the Occupational Safety and Health Act of 1970. The workplace safety and health of our nation's workers depends on DOL's strong enforcement of these laws.

CHALLENGE FOR THE DEPARTMENT: The OIG has consistently revealed a pattern of weak oversight, inadequate policies, and a lack of accountability on the part of MSHA made more of a challenge by years of resource shortages. Congress has allocated additional funding. However, it will take several years for the Department to be fully functional with these increased resources. Insufficient resources during a period of increasing mining activity made it difficult for the Department to ensure that it had enough resources in the right places to ensure the safety of miners. These resource issues further reemphasize the need for MSHA to have adequate procedures in place for carrying out its mission. Further, MSHA management must monitor performance to ensure that its employees are following those procedures and documenting their activities.

The OIG's recent audits have documented the need for MSHA to improve its operating procedures and management oversight. For example, an OIG report on MSHA inspections found that MSHA did not complete 147 required safety inspections at 107 underground coal mines where approximately 7,500 miners worked during FY 2006. In an OIG audit of MSHA's process for approving the roof control plan at Utah's Crandall Canyon Mine, the OIG found that MSHA was negligent in its review, approval, and oversight of the roof control plan

Likewise, the Independent Review Team established to evaluate MSHA's actions prior to the August 2007 accident at the Crandall Canyon Mine and during the subsequent rescue activities, identified many serious deficiencies in MSHA's actions, including inadequate evaluation of the engineering data to justify mining in the North and South Barriers and inadequate oversight of the plan evaluation and approval process by MSHA management. The review concluded that MSHA's failure to adequately evaluate the roof control plans contributed to the August accident.

An OIG audit of how MSHA determines whether a fatality is mining-related found that investigators and decision makers lacked independence and investigative documentation was not always complete. The OIG also found that decisions about the cause of a fatality were sometimes made on a manager's preliminary assessment and a full investigation was not done.

OSHA's mission is to prevent work-related injuries, illnesses and deaths and to ensure that every working man and woman in the nation has safe and healthful work conditions; however, work-related fatalities reported in the BLS Census of Fatal Occupational Injuries were 5,764 in 2004, 5,734 in 2005, 5,840 in 2006, and 5,488 in 2007.[35] Because it is impossible for OSHA to inspect the more than seven million workplaces in the nation, it is essential that OSHA target its limited resources to inspect workplaces with the highest risk of hazardous conditions or which have a history of causing significant injuries or fatalities. Recent fatal workplace accidents involving cranes, combustible dust, and refineries highlight this challenge. In addition, OSHA must ensure that voluntary compliance programs are effective.

OSHA's Consultation Program was designed to encourage employers to volunteer for an inspection and then resolve work place safety and health issues without the use of enforcement fines and penalties. However, an OIG audit found that consultation program officials seldom ensured that interim protection was in place before granting employers' requests for extensions to correct serious hazards, and employers who did not complete corrective actions in a timely fashion were seldom referred for enforcement actions. The OIG recommended that OSHA

[35] These numbers include fatalities not under OSHA jurisdiction, such as deaths among miners, transportation workers, domestic workers, some public employees, and the self-employed, as well as fatalities that fall outside of OSHA's definition of work-relatedness.

establish a performance measure that benchmarks and reports the percentage of serious hazards corrected by the initial correction due date.

In response to concerns about the effectiveness of OSHA's enforcement program, the OIG is conducting an audit to determine whether OSHA has accurately identified high-risk employers based on OSHA's definition of these employers under its Enhanced Enforcement Program.

OIG'S ASSESSMENT OF THE DEPARTMENT'S PROGRESS: MSHA and OSHA have made progress in addressing this challenge. For example, with supplemental funding provided by Congress, MSHA has hired more mine inspectors to improve completion of statutorily required inspections. However, MSHA needs to ensure that its recently hired inspectors are properly trained. While new inspectors are trained, MSHA has re-allocated current resources by rotating inspectors into understaffed districts for two week intervals to assist in completing all mandated inspections. MSHA has also increased and clarified the documentation required to support mine inspection activities and defined specific steps for reviewing mine plans.

Further, MSHA has issued guidance to standardize its roof control plan approval process and has developed checklists to detail required information and documentation when inspectors review roof control plans. To address concerns about independence of decisions about mining fatalities, the Fatality Review Committee now includes a representative outside of MSHA. However, this individual is still a DOL employee.

MSHA also needs to remain vigilant to ensure that approvals of roof control plans are done in accordance with its new procedures. The OIG continues to believe that an individual who is not employed by the Department will provide a greater degree of independence and integrity to the work of the Fatality Review Committee.

In response to an OIG report on OSHA's Consultation Program, OSHA has implemented measures to ensure that employers are referred for enforcement action when serious safety hazards are not corrected in a timely manner. OSHA has also established a new performance measure tied to the initial hazard correction due date to ensure that serious hazards are corrected in a timely manner without the need for granting time extensions to correct the hazard.

DEPARTMENT'S RESPONSE: Following are DOL FY 2008 Actions, Remaining Actions, and Expected Completion Dates to Challenges Identified by the OIG, GAO, and DOL**.**

DOL's Assessment of its Own Progress: ● Yellow

Protecting the Safety and Health of Workers This challenge affects Strategic Goal 3 – *Safe and Secure Workplaces*, Performance Goal 3A- *Improve workplace safety and health through compliance assistance and enforcement of occupational safety and health regulations and standards* and Performance Goal 3B- *Reduce work-related fatalities, injuries and illnesses in mines.* Challenge first identified in FY 2005.

Management Challenge/ Significant Issue	Actions Taken in FY 2008	Actions Remaining and Expected Completion Date
Implement the Mine Improvement and New Emergency Response (MINER) Act of 2006. (2007 PAR)	Published final rules for *Rescue Teams and Sealing of Abandoned Areas* and proposed rules on *Refuge Alternatives and on the Utilization of Belt Air and the Composition and Fire Retardant Properties of Belt Material in Underground Coal Mining*.	• Provide guidance on performance-based criteria for acceptable alternatives to underground wireless communications– Jan 2009. • Publish final rules on refuge alternatives and fire retardant properties of belt material and continue to review and approve Emergency Response Plans–Dec 2008.

Protecting the Safety and Health of Workers This challenge affects Strategic Goal 3 – *Safe and Secure Workplaces*, Performance Goal 3A- *Improve workplace safety and health through compliance assistance and enforcement of occupational safety and health regulations and standards* and Performance Goal 3B- *Reduce work-related fatalities, injuries and illnesses in mines.* Challenge first identified in FY 2005.

Management Challenge/ Significant Issue	Actions Taken in FY 2008	Actions Remaining and Expected Completion Date
Strengthen MSHA accountability program. (OIG 2007, OIG 05-07-002-06-001) http://www.oig.dol.gov/public/reports/oa/2007/05-07-002-06-001.pdf	• Created and staffed an Office of Accountability. • Revised current MSHA Accountability Program and Accountability Program Handbook.	Office of Accountability to monitor the implementation of management controls–Ongoing.
Ensure the consistency and rigor of the process to review and approve roof control plans. (OIG- 05-08-003-06-001) http://www.oig.dol.gov/public/reports/oa/2008/05-08-003-06-001.pdf	• Standardized MSHA's roof control plan approval process in checklist form. • Required documentation in MSHA's roof control review files. • Issued instructions regarding which roof control or ground support plans must be reviewed by the Roof Control Division. • Clarified handling of non-rescue personnel in rescue operations. • Issued Program Information Bulletin on retreat mining software. • Developed criteria for assessing the quality of roof control plans.	Re-evaluate roof control plans for all mines–Ongoing.
Ensure that fatality investigations follow consistent well-documented procedures. (OIG 05-08-002-06-001) http://www.oig.dol.gov/public/reports/oa/2008/05-08-002-06-001.pdf	• Included information on non-chargeable fatalities on MSHA's website. • Amended the Accident/Illness Investigation Procedures Handbook to clarify first responders' responsibilities, require fatality information and evidence to be transmitted to headquarters prior to a chargeability determination, and clarify investigative protocol and documentation required.	No actions remaining.
Improve guidance and oversight of mine Emergency Response Plans. (GAO 08-424)	• Issued checklist and guidance on requirements for Emergency Response Plan (ERP) review. • Developed list of mines for ERP review. • Required headquarters review of ERP violations for consistency. • Required inspectors to cite the statutory provision of the MINER Act applicable to emergency response. • Issued guidance to ensure that repeat violations are captured. • Required inclusion of ERPs in accountability reviews.	• Review ERPs every six months. • Work with NIOSH to provide guidance on performance-based criteria for acceptable technological alternatives to underground wireless communications–Jan 2009. • Headquarters evaluates issued violations and determines if policy clarifications are necessary to improve consistency–Ongoing. • Hold regular discussions with District Managers to develop best practices and improvements for ERPs–Ongoing.

Protecting the Safety and Health of Workers This challenge affects Strategic Goal 3 – *Safe and Secure Workplaces*, Performance Goal 3A- *Improve workplace safety and health through compliance assistance and enforcement of occupational safety and health regulations and standards* and Performance Goal 3B- *Reduce work-related fatalities, injuries and illnesses in mines.* Challenge first identified in FY 2005.		
Management Challenge/ Significant Issue	**Actions Taken in FY 2008**	**Actions Remaining and Expected Completion Date**
Ensure that employees follow procedures.	Worked on revisions to the Metal and Nonmetal General Inspection Procedures Handbook.	Issue revised Metal and Nonmetal General Inspection Procedures Hand-book – Dec 2008.
Replace retiring mine inspectors. Implement localized and targeted recruiting to increase the applicant pool Implement Human Resources Strategic Plan FY 2006 -2011 for hiring new mine inspectors. (2007 PAR)	MSHA hired enough coal enforcement personnel to bring the strength to highest since 1994 and began a similar hiring initiative that will place its Metal and Nonmetal mine enforcement at the highest level in more than 20 years.	Continue to implement localized and targeted recruiting–Ongoing.
Ensure that OSHA funded consultation projects refer uncorrected serious hazards to OSHA enforcement. (2007 PAR)	• Implemented measures to ensure that employers not correcting hazards in a timely way are referred for enforcement action. • Established a performance measure for timeliness of serious hazard correction.	No actions remaining.

CHALLENGE: Improving Performance Accountability of Grants

OVERVIEW: In FY 2007, the Department's Employment and Training Administration (ETA), issued $5.5 billion in formula grants and almost $1 billion in discretionary grants for job training and employment services. Since 2001, ETA has spent nearly $900 million in discretionary grant funds on the High Growth Job Training Initiative (High Growth), Community-Based Job Training Initiative (Community Based), and the Workforce Innovation in Regional Economic Development (WIRED). These initiatives were designed to give greater emphasis to the employment and training needs of high-growth, high-demand industries.

All state and local government and nonprofit recipients that expend $500,000 or more in Federal assistance in one year are required by the Single Audit Act to obtain an annual audit by an independent public accountant. The Act mandates the examination of a recipient's financial records, financial statements, federal award transactions and expenditures, the general management of its operations, the systems of internal control, and the federal assistance itself received during the audit period. ETA grants are awarded to state and local governments and other non-DOL organizations. The Department relies on audits conducted under the Single Audit Act to provide oversight of its grants – both formula and discretionary.

CHALLENGE FOR THE DEPARTMENT: DOL continues to face challenges in ensuring that discretionary grants are properly awarded and that the Department receives the quality of services that the taxpayers deserve. Successfully meeting the employment and training needs of citizens requires selecting the best service providers, making expectations clear to grantees, ensuring that success can be measured, providing active oversight, evaluating outcomes, and disseminating and replicating proven strategies and programs. Both OIG and GAO have found in the past year that ETA continues to have weaknesses in managing its grants to this end. In audits involving the High Growth, Community Based, and WIRED initiatives, these weaknesses have included the lack of competition in awarding grants, grants that failed to achieve major performance goals, grant agreements with goals that were so unclear it was impossible to determine success or failure, and grants whose required matching funds were not provided. Moreover, ETA continues to be challenged to provide adequate oversight and monitoring of the grants it awards, as the agency lacks reliable and timely performance data that would allow identification of problems in time to correct them. Finally, ETA has not evaluated the usefulness of individual grant products or the overall effectiveness of its discretionary grant initiatives.

Another challenge for the Department related to both formula and discretionary grants is that grantees' audits conducted under the Single Audit Act by independent public accountants are not always completed timely and information from single audits is not always reliable. The OIG has found serious deficiencies in these audits that demonstrate that the Department is not receiving timely, accurate, reliable information that will assist it making the best possible program and funding decisions.

OIG'S ASSESSMENT OF THE DEPARTMENT'S PROGRESS: As a result of the audits by the OIG and GAO, ETA has recently increased the emphasis placed on awarding discretionary grants competitively, developed procedures designed to better document decisions and discussions that lead to grant actions, implemented new procedures to ensure the proper justification of any future non-competitive awards, and provided training to agency grant officers on these new procedures. ETA has also stated that future agreements for pilots and demonstration grants will require grantees to obtain an independent evaluation of grant results. While these actions should help to improve performance accountability, ETA needs to focus its future efforts on determining how best to prioritize its available resources to adequately monitor grant performance and how to evaluate grants to ensure desired results are achieved.

The Department has implemented procedures requiring written notifications be sent to grantees when single audit reports are submitted more than three months past the due date. The notifications serve to remind the grantees of the timeframes established in OMB Circular A-133, to ensure awareness that the reports were submitted untimely, and to prevent future untimely submissions.

DEPARTMENT'S RESPONSE: Following are DOL FY 2008 Actions, Remaining Actions, and Expected Completion Dates to Challenges Identified by the OIG, GAO, and DOL.

DOL's Assessment of its Own Progress: ● Yellow

Improving Performance Accountability of Grants Affects Strategic Goal 1: *A Prepared Workforce*, Performance Goals 1C-1D, and Goal 2: *A Competitive Workforce*, Performance Goals 2A-G. Challenge first identified in FY 2007.		
Management Challenge/ Significant Issue	**Actions Taken in FY 2008**	**Actions Remaining and Expected Completion Date**
Ensure that grants are properly awarded. 90 percent of the 39 audited grants awarded under the President's High Growth Job Training Initiative were awarded non-competitively. (OIG 02-08-201-03-390) http://www.oig.dol.gov/public/reports/oa/2008/02-08-201-03-390.pdf	• Updated process for handling non-competitive proposals so compliance with requirements is fully documented. • Funding for unsolicited (non-competitive) proposals for amounts greater than $100,000 which do not have an exception must be approved by the DOL Procurement Review Board. • All grants are currently being awarded competitively.	• Monitor grantee compliance with OMB Circular A-133 (Audits of State, Local Governments and Non-Profit Organizations) audit requirements and place further emphasis on this requirement in grant packages–FY 2009. • Emphasize use of electronic reports in tracking and evaluating grantees' actual cash needs–FY 2009.

Improving Performance Accountability of Grants Affects Strategic Goal 1: *A Prepared Workforce*, Performance Goals 1C-1D, and Goal 2: *A Competitive Workforce*, Performance Goals 2A-G. Challenge first identified in FY 2007.

Management Challenge/ Significant Issue	Actions Taken in FY 2008	Actions Remaining and Expected Completion Date
Ensure that grantees accomplish their grant objectives and enhance monitoring of direct grants. (OIG-02-08-204-03-390) http://www.oig.dol.gov/public/reports/oa/2008/02-08-204-03-390.pdf Enhance monitoring of direct grants, including the High Growth Job Training Initiative (HGJTI), Community Based Job Training Grants (CBJTG), and Workforce Innovation in Regional Economic Development (WIRED) Grants. (OIG 2007-2008) (GAO 08-486)	• Updated the Grants Management Desk Reference covering the grant process from solicitation to closeout. • Issued the Financial Supplement and the WIRED Monitoring Supplement to the *Core Monitoring Guide* for grants. • Trained Grants Officers to review Statements of Work for clarity of objectives, deliverables, and performance measures and to observe match requirements. • Trained new grantees on financial and performance requirements at various training venues, including webinars and a WIRED fiscal conference.	• Use electronic reports in evaluating grantees' cash needs–FY 2009. • Continue training Grant Officers on reviewing Statements of Work and other areas of grant operations–FY 2009. • Issue plan for technical assistance to grantees and provide technical assistance to grantees–FY 2009.
	• Developed a 3 ½ day training course for Federal Project Officers to address core competencies and technical skills.	• Conduct pilot test of3½ Day Training Course and Web-based tutorial for Federal Project Officers—Nov 2009. • Conduct additional Federal Project Officer training sessions—Dec 2008 through April 2009.
	• Implemented risk-based monitoring for WIRED grants, including training Federal Project Officers and reviewing Generation 1 grantees.	• Conduct fiscal and program reviews of Generation II WIRED grantees–FY 2009. • Monitor third party evaluations of HGJTI, CBJTG, and WIRED training grants and identify any interim successes and findings–FY 2009.
	• Identified methods for collecting common measures data for HGJTI, CBJTG, and WIRED grantees and implemented on-line reporting for HGJTI and CBJTG grantees.	• Collect common measures' data and compute results–FY 2009.
Ensure that costs for Earmark Grants are allowable. (OIG 02-08-203-03-390) http://www.oig.dol.gov/public/reports/oa/2008/02-08-203-03-390.pdf	Initial determination disallowed $11.2 million in questioned costs and required the grantee to correct deficiencies regarding documentation of eligibility.	Conduct Federal Project Officer training covering grant monitoring, particularly regarding documentation required of grantees–FY 2009.
Single Audits. (OIG 2006-2008) (FY 2006-7 PAR)	• Developed and tested monitoring procedures for reviewing grantee submissions of FY 2006 single audit reports. • Completed review of FY 2006 single audit reports. • Mailed letters to grantees with delinquent reporting and grantees without single audit reports. • Drafted standard operating procedures.	• Send follow up letters to grantees who continue to be delinquent–Nov 2009. • Codify standard operating procedures into Procedures Manuals–FY 2009.

CHALLENGE: Ensuring the Effectiveness of the Job Corps Program

OVERVIEW: The purpose of the Job Corps program is to assist eligible at-risk youth who need intensive education and training services in a safe, residential environment. Job Corps has contracts with private companies to operate 98 centers and interagency agreements with the Departments of Interior and Agriculture to operate 28 centers. The program was appropriated nearly $1.6 billion in FY 2008.

CHALLENGE FOR THE DEPARTMENT: The OIG's work has consistently identified challenges to the effectiveness of the Department's Job Corps program. These challenges include ensuring the safety and health of students and having accurate, reliable data about the program's performance. A cornerstone of the Job Corps program is removing students from unsafe environments and placing them in a safe residential training program. Ensuring maintenance of its facilities is a challenge for Job Corps. Unsafe conditions resulting from inadequate maintenance adversely impacts the overall success of the Job Corps program.

OIG audits have documented numerous health and safety problems at certain centers, such as water-damaged and collapsing ceiling tiles; mold on student dormitory walls and ceilings; and missing or inoperable emergency exit signs. Further, Job Corps officials need to do more to address the problems of illegal drugs and violence at its facilities.

OIG audits have also found that contractors have manipulated performance data to inflate their success. The OIG has repeatedly found problems with the reporting of student outcomes, on-board strength and attendance. This is a particular challenge for Job Corps when centers are operated by contractors through performance-based contracts which tie incentive fees and bonuses directly to contractor performance largely measured by on-board strength, attendance, and outcomes. Under such contracts, there is a risk that contractors will inflate their performance reports so they can continue to operate centers. It is essential for Job Corps to have reliable, accurate, and timely data, so that the Department can evaluate how well student needs are being met.

OIG'S ASSESSMENT OF THE DEPARTMENT'S PROGRESS: Job Corps has addressed a number of student safety and health issues and indicated that it will provide more rigorous monitoring of all centers. Also, Job Corps has taken action to improve financial and performance data reliability at all centers. Although, each center will conduct mandatory audits of student records concurrent with annual center quality assessments, more needs to be done to resolve problems with inaccurate performance data.

Although Job Corps is continuing its efforts to maintain a safe and healthy environment for its students, it must be held accountable to monitor and verify that all centers are being managed and maintained to ensure safe and healthy environments.

DEPARTMENT'S RESPONSE: Following are DOL FY 2008 Actions, Remaining Actions, and Expected Completion Dates to Challenges Identified by the OIG, GAO, and DOL.

DOL's Assessment of its Own Progress: ●Green ↑ *(improved from FY 2007)*

Ensuring the Effectiveness of the Job Corps Program Affects Strategic Goal 1 – *A Prepared Workforce,* Performance Goal 1B, *Improve educational achievements of Job Corps students and increase participation of Job Corps graduates in employment and education.* Challenge first identified in FY 2006.

Management Challenge/ Significant Issue	Actions Taken in FY 2008	Actions Remaining and Expected Completion Date
Promote effective regional monitoring, including ensuring that contractors provide accurate performance data. (OIG -26-08-002-01-370) http://www.oig.dol.gov/public/reports/oa/2008/26-08-002-01-370.pdf (OIG-26-08-003-01-370) http://www.oig.dol.gov/public/reports/oa/2008/26-08-003-01-370.pdf (2007 DOL)	• Required Regional Offices to perform rigorous data quality/data integrity reviews in addition to comprehensive onsite policy compliance monitoring reviews at least once every 24 months. • Completed Project Manager training for all regions. • Assessed $585,000 in liquidated damages for recovery. • Revised Interagency Agreements with Interior and Agriculture to provide more accountability on financial and property management and greater oversight by Job Corps.	• Continue to conduct rigorous data integrity audits concurrently with onsite compliance/quality assessments –FY 2009. • Atlanta Regional Director will increase monitoring efforts at the North Carolina Center operated by the USDA– FY 2009.
Ensure student safety and health. (OIG 2007-2008) (OIG-26-08-001-01-370) http://www.oig.dol.gov/public/reports/oa/2008/26-08-001-01-370.pdf	• Reviewed center safety and health programs, provided abatement guidance, and monitored quarterly facility inspection reports. • Disseminated information promoting safety and health through the Job Corps Directives system. • Updated the Job Corps Safety and Occupational Health Program to comply with regulatory guidelines and to incorporate OIG recommendations. • Enforced the Zero Tolerance Policy against violence and drugs. • Completed Oconaluftee Center repairs.	• Conduct annual Safety and Health Information Management System Training Seminar for 80 participants – Oct 2008. • Continue to implement the Job Corps Safety and Occupational Heath Program participants–Ongoing. • Continue to enforce the Zero Tolerance Policy against violence and drugs–Ongoing.
Assess incoming students for cognitive disabilities. Federal law requires assessment for cognitive disabilities under specific circumstances. (OIG 2007)	• Updated the data collection system to improve tracking of students with disabilities. • Outreach Admissions counselors now seek guidance from Regional Disability Coordinators and qualified personnel on accommodating disabled students. • Converted all part-time Regional Disability Coordinators to full-time.	University of Kansas Center for Research on Learning to conduct a professional development conference to train Job Corps academic and career technical managers in standards-based instruction for students with learning disabilities–FY 2009.

CHALLENGE: Safeguarding Unemployment Insurance

OVERVIEW: The Department partners with the states to administer unemployment benefit programs. State Unemployment Insurance (UI) provides benefits to workers who are unemployed and meet eligibility requirements established by their respective states. UI benefits are financed through employer taxes imposed by the states and collected by the Internal Revenue Service, which holds them in the Unemployment Trust Fund (UTF) until needed to pay benefits.

The Department funds State Workforce Agencies (SWAs) which administer the UI program through grant agreements. These grant agreements are intended to ensure that SWAs administer the UI program efficiently and that they comply with Federal laws and regulations. In addition, the SWAs are required to have disaster contingency plans in place to enable them to administer benefits in the aftermath of a disaster such as a hurricane. Disaster Unemployment Assistance (DUA), is a Federally funded program that provides financial assistance to individuals who lose their jobs as a direct result of a major disaster and are ineligible for other UI.

CHALLENGE FOR THE DEPARTMENT: Reducing and preventing UI and DUA overpayments, combating fraud against these programs, and timely detecting and recovering overpayments that do occur remains a major challenge for the Department and states. In FY 2007, the Department reported more than $3 billion in UI overpayments—a slight drop from $3.1 billion in FY 2006. However, the Department did not meet its target goal of identifying and establishing for recovery 60 percent of UI overpayments in FY 2007.

OIG work following Hurricanes Katrina and Rita identified potential benefit overpayments as a result of claimants concurrently filing under the UI and DUA programs; states not timely verifying eligibility for DUA; and other reasons. For example, the OIG found that Louisiana paid unemployment benefits to claimants when the National Directory of New Hires (NDNH) database reported those individuals as having obtained jobs. This one example represented potential overpayments of $51 million. Following the 2005 hurricanes, the OIG opened over 300 cases of potential UI and DUA fraud resulting in 142 indictments and 86 convictions. To date, 240 of these cases have been closed.

It is a challenge for the Department, other Federal agencies, and the states to have systems and controls in place to quickly prevent or respond to improper payments during national emergencies or disasters. The Department needs to promote states' use of the National Directory of New Hires (NDNH) database to prevent and timely detect overpayments. The Department also needs to ensure that SWAs have adequate Information Technology (IT) Contingency Plans that will enable them to continue to pay UI benefits in the event of a disaster such as a hurricane. It is critical that all SWAs have IT contingency plans for UI to ensure individuals who rely on these benefits receive this vital support in a time of need and uncertainty.

Preventing fraud against the UI program is also a challenge. The OIG investigates fraud committed by individuals who do not report or underreport outside income while receiving UI benefits. In addition to single claimants and fictitious employer-related schemes, OIG investigations have uncovered schemes in which individuals have used identity theft to illegally obtain benefits and schemes in which UI benefits have been paid to ineligible claimants.

OIG'S ASSESSMENT OF THE DEPARTMENT'S PROGRESS: The Department has taken some measures to reduce and prevent UI and DUA overpayments. The Department stated in its FY 2006 Performance and Accountability Report that it has developed a new core performance measure on overpayment detection. Although the Department implemented this new performance measure two years ago, there has been only a slight drop in the UI overpayment rate. The Department is also working with state agencies to encourage the use of the NDNH database, which will improve the states' efforts to detect overpayments early. The OIG is currently conducting an audit to assess the states' use of this tool.

In coordination with other Federal partners and the National Association of State Workforce Agencies, the Department has developed action plans using lessons learned from recent disasters. The Department has also brought together Federal partners to develop a resource guide to facilitate coordination and streamline the delivery of services in the event of a major disaster.

The OIG is working with UI's state partners to more effectively provide training to detect and prevent UI fraud.

DEPARTMENT'S RESPONSE: Following are DOL FY 2008 Actions, Remaining Actions, and Expected Completion Dates to Challenges Identified by the OIG, GAO, and DOL.

DOL's Assessment of its Own Progress: ●Green

Safeguarding Unemployment Insurance Affects Strategic Goal 4 – *Strengthened Economic Protections,* and Performance Goal 4A- *Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of unemployment insurance beneficiaries and set up unemployment tax accounts promptly for new employers.* Challenge first identified in FY 2000.

Management Challenge/ Significant Issue	Actions Taken in FY 2008	Actions Remaining and Expected Completion Date
Prevent overpayments. OIG work following Hurricanes Katrina and Rita identified potential benefit overpayments as a result of claimants concurrently filing under the UI and DUA programs; states not timely verifying eligibility for DUA; and other reasons. (OIG-06-08-001-03-315) http://www.oig.dol.gov/public/reports/oa/2008/06-08-001-03-315.pdf OIG's audit of the Benefit Accuracy Measurement program found that expediting implementation of National Directory of New Hires (NDNH) database connectivity in 10 states, and increasing its use in another 8 states, could save the Unemployment Trust Fund $428 million annually.	• Issued report on lessons learned from hurricanes and recommendations for UI and DUA preparedness planning. • Issued guidance to states on Disaster Unemployment Assistance eligibility requirements. • 48 states began cross-matching UI against the NDNH, which provides the most cost-effective means of controlling the biggest cause of UI overpayments– persons who continue to claim UI benefits after returning to work. • Addressed the second largest cause of overpayments–errors in handling separation issues--by supporting development of the Separation Information Data Exchange System (SIDES) so accurate information on circumstances of job separations reaches adjudicators in time to result in accurate decisions.	• States that have not already implemented NDNH cross-matching will include Corrective Action Plans in their FY 2009 State Quality Service Plan submissions providing milestones for cross-match completion–Dec 2008. • Develop web services architecture and test plan documentation for SIDES and initiate system testing and user training in the five consortium States–FY 2009. • Promote state use of a variety of databases--UI Interstate Benefits Inquiry application, Social Security, Alien Verification for Entitlement, Department of Motor Vehicles, and Department of Corrections--to prevent and detect improper UI benefit payments–Ongoing.
Reduce fraud. Continue to promote enactment of the 2008 Integrity Act and conduct an Integrity Conference for State UI agencies.	Held National Unemployment Insurance Integrity Professional Development Conference in Salt Lake City, Utah. The Administration's UC Integrity Act has not yet been acted upon by Congress.	Continue to promote enactment of the 2008 Integrity Act– FY 2009.

CHALLENGE: Improving the Federal Employees' Compensation Act Program

OVERVIEW: The Federal Employees' Compensation Act (FECA) Program provides income and pays medical expenses for covered Federal civilian employees injured on the job or who have work-related occupational diseases, and dependents of employees whose deaths resulted from job-related injuries or occupational diseases.

This program is administered by the Department and impacts employees and budgets of all Federal agencies. FECA benefit expenditures totaled $2.6 billion in 2007. Most of these costs were charged back to individual agencies for reimbursement to the Department's Office of Workers' Compensation Programs (OWCP).

CHALLENGE FOR THE DEPARTMENT: The structure and operation of the FECA program is both a Departmental and a government-wide challenge. All Federal agencies rely upon OWCP to adjudicate the eligibility of claims, to manage the medical treatment of those claims, and to make compensation payments and to pay medical expenses. Ensuring proper payments while being responsive and timely to eligible claimants is a challenge for OWCP. Among these challenges are moving claimants off the periodic rolls when they can return to work or their eligibility ceases, preventing ineligible recipients from receiving benefits, and preventing fraud by service providers and by individuals who receive FECA benefits while working.

The OIG recognizes that it is difficult to identify and address improper payments and/or fraud in the FECA program. Another difficulty is that OWCP does not have the legal authority to match FECA compensation recipients against social security wage records. Currently, OWCP must obtain permission from each individual claimant each time in order for it to check records. Being able to do the match would enable OWCP to identify individuals who are collecting FECA benefits while working and collecting wages.

OIG'S ASSESSMENT OF THE DEPARTMENT'S PROGRESS: The Department has taken several steps to improve the administration of FECA. The Department completed the roll-out of its new FECA benefit payment system, Integrated Federal Employee Compensation System, which tracks due dates of medical evaluations; revalidates eligibility for continued benefits; uses data mining to prevent improper payments; boosts efficiency; and promises improved customer satisfaction.

The Department needs to continue to seek legislative reforms to the program. The OIG supports the Department's efforts to seek legislative reforms to the FECA program which would enhance incentives for employees who have recovered to return to work, address retirement equity issues, discourage unsubstantiated or otherwise unnecessary claims, and make other benefit and administrative improvements. Through the enactment of these proposals, the Department estimates savings to the government over ten years to be $384 million. These legislative reforms would assist the Department to focus on improving case management and to ensure only eligible individuals receive benefits.

To help ensure proper payments in the FECA program, the Department is seeking legislative authority to easily and expeditiously access SSA wage records.

The OIG continues to provide training to DOL and to other Federal agencies in the detection and prevention of fraud against the FECA program. In addition, the OIG has started an audit to determine whether OWCP is complying with Federal regulations and internal policies and procedures when assessing the wage earning capacity of FECA periodic roll claimants.

DEPARTMENT'S RESPONSE: Following are DOL FY 2008 Actions, Remaining Actions, and Expected Completion Dates to Challenges Identified by the OIG, GAO, and DOL.

DOL's Assessment of its Own Progress: ●Green

Improving the Federal Employees' Compensation Act Program Affects Strategic Goal 4, *Strengthened Economic Protections* and Performance Goal 4B-*Reduce the consequences of work-related injuries.* Challenge first identified in FY 2004.

Management Challenge/ Significant Issue	Actions Taken in FY 2008	Actions Remaining and Expected Completion Date
Reduce improper payments. Ensure that current medical information for claimants is on file, so that payments are not made to those who are no longer disabled, and monitor and adjust the Integrated Federal Employees Compensation System (iFECS) as necessary. (2007 PAR) Revise program performance measures to emphasize payment accuracy, internal controls, and overpayment recoveries and collect more detailed information on improper payments to better identify improper payment risks and to address areas of high risk. (GAO-08-486)	• Completed actions to ensure current medical information is on file. • Completed testing IFECS system controls. • Utilized the newly operational Periodic Entitlement Review tracking system. • Included a new measure of the timely processing of identified overpayments (both pending and preliminary) in the Operational Plan for 2008. • Enhanced iFECS to allow agencies to access details of a payment online so they can monitor payments and discover flaws in the data they submitted. • Conducted ongoing system monitoring.	• Create an electronic form to quickly report the return to work without a paper form and mailing–June 2009. • Collect information in iFECS to analyze potential erroneous payments, including reason codes– Sept 2009. • Analyze underpayments and over-payments to identify training to improve performance and consider establishing corresponding performance goals– March 2010. • Create a training module addressing pay rates and initial payments to improve accuracy–Sept 2010. • Enhance iFECS to prompt the user when payment is being made on a claim with an existing over-payment or if the claimant has an over-payment in another case–Sept 2010.
Reduce fraud. Seek legislative reforms to discourage unsubstantiated claims and make other improvements, including matching of FECA payment records with SSA records. (2008 OIG, 2007 PAR)	FECA reform proposal included in the FY 2009 President's Budget to Congress.	Work with Congress to adopt FECA legislative reform proposal–FY 2009.

CHALLENGE: Improving Procurement Integrity

OVERVIEW: The Department contracts for many goods and services to assist in carrying out its mission. In FY 2007, the Department's acquisition authority exceeded $1.8 billion and included over 10,700 acquisition actions.

CHALLENGE FOR THE DEPARTMENT: Ensuring integrity in procurement activities is a continuing challenge for the Department. The OIG's work continues to identify violations of Federal procurement regulations, preferential treatment in awards, procurement actions that were not in the government's best interest, and conflicts of interest in awards. For example, an OIG audit of an employment and training contract raised concerns about preferential treatment in how work was directed to a specific subcontractor. Another audit found no evidence that DOL Contracting Officers were checking required sources – existing government inventories of excess personal property or nonprofit agencies affiliated with the Committee for Purchase from People Who Are Blind or Severely Disabled -- before making GSA Schedule procurements.

The Services Acquisition Reform Act (SARA) of 2003 requires that executive agencies appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. However, the Department's current organization is not in compliance with this requirement, as the Assistant Secretary for Administration and Management is serving as the CAO while retaining other significant non-acquisition responsibilities. Until procurement and programmatic responsibilities are properly separated and effective controls are put in place, the Department will be at risk for wasteful and abusive procurement practices.

In addition, a recent OIG audit of procurements for Job Corps found that procurement personnel did not always comply with the Federal Acquisition Regulation in obtaining adequate justification for sole source contracts. The OIG also determined that there was a lack of training and inadequate oversight during the contracting process. As a result, contracting integrity, as well as fair and open competition, could be compromised.

OIG'S ASSESSMENT OF DEPARTMENT'S PROGRESS: The Department has taken preliminary steps to implement SARA. In January 2007, the Secretary issued Order 2-2007, which formally established the position of CAO within DOL. This Order specifically stated that the CAO will have acquisition management as a primary duty. Further, the Order emphasized that the CAO will report to the Secretary with day-to-day guidance from the Deputy Secretary and that the CAO will have responsibility for overseeing other Department acquisition activities. Unfortunately, the Department still has not satisfied the full intent of SARA, as the delegated CAO continues to perform many other duties unrelated to acquisition management, such as serving as the Department's Chief Information Officer and overseeing the Department's budget operations.

DEPARTMENT'S RESPONSE: Following are DOL FY 2008 Actions, Remaining Actions, and Expected Completion Dates to Challenges Identified by the OIG, GAO, and DOL.

DOL's Assessment of its Own Progress: ● Yellow

Improving Procurement Integrity Affects all DOL strategic goals. Challenge first identified in FY 2005.		
Management Challenge/ Significant Issue	**Actions Taken in FY 2008**	**Actions Remaining and Expected Completion Date**
Ensure procurement integrity. (OIG 2005-2008)	Made significant improvements in the procurement process: • Implemented the Federal Standards for Contracting Officer's Technical Representative and Contracting Staff training. • Continued the Acquisition Workforce Skill Gap Assessment, • Reorganized the OASAM procurement oversight function and increased the staffing to increase effectiveness. • Issued three DLMS changes related to acquisition. • Issued numerous directives and guidance documents to the contracting officers and customer offices. • Significantly upgraded the oversight of the DOL purchase card program.	• Complete the comprehensive review of the Department of Labor Management Series (DLMS) section for contracts and grants for required updates–FY 2009. • Complete comprehensive review of Department of Labor Acquisition Regulations for required updates–FY 2009. • Conduct procurement reviews of BLS and MSHA procurement offices–FY 2009. • Implement mandatory training/ monitoring program for the acquisition workforce–FY 2009. • Issue guidance in relation to recent OIG findings–Dec 2009. • Draft regulations and implement a new mandatory oversight procedure for telecommunications orders–FY 2009. • Continue to provide overall procurement policy support, training and guidance–FY 2009.
Improve employment and training contracting.	Reviewed ETA procurement (at their request) and recommended process improvements and training in procurement requirements.	

Improving Procurement Integrity Affects all DOL strategic goals. Challenge first identified in FY 2005.		
Management Challenge/ Significant Issue	**Actions Taken in FY 2008**	**Actions Remaining and Expected Completion Date**
Resolve the "unresolved and open" OIG procurement recommendation. (OIG 2007-8, 2006-7 DOL) Appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management.	Considered the recommendation that DOL procurement responsibilities be removed from the Office of the Assistant Secretary for Administration and Management.	Decision pending; issue may be held in abeyance–FY 2009.

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

OVERVIEW: The Department's Foreign Labor Certification (FLC) programs provide United States (U.S.) employers access to foreign labor to meet worker shortages under terms and conditions that do not adversely affect U.S. workers. The Permanent Foreign Labor Certification Program allows an employer to hire a foreign worker to work permanently in the U.S., if a qualified U.S. worker is unavailable. The H-1B program allows the Department to certify employers' applications to hire temporary foreign workers in specialty occupations such as medicine, biotechnology, and business. The H-2B program permits employers to hire foreign workers to come temporarily to the U.S. and perform temporary non-agricultural labor on a one-time, seasonal, peak load, or intermittent basis. In March 2005, ETA created the PERM (Permanent Electronic Review Management) system which removed the states from a direct role in reviewing and auditing applications for foreign labor certification, eliminated the 100 percent review of such applications, and established a random sampling and targeted approach to auditing applications to ensure compliance with the law and program requirements.

CHALLENGE FOR THE DEPARTMENT: Maintaining the integrity of its FLC programs, while also ensuring a timely and effective review of applications to hire foreign workers, is a continuing challenge for the Department.

OIG investigations, some of which have been initiated based on referrals from ETA, have identified fraud against these programs, and is the fastest growing area of OIG investigations. OIG investigations continue to uncover schemes carried out by immigration attorneys, labor brokers, and transnational organized crime groups, some with possible national security implications. Further, OIG investigations have revealed schemes involving fraudulent applications that are filed with DOL on behalf of fictitious companies—or applications using names of legitimate companies without their knowledge.

An OIG audit of the PERM system found that ETA had changed its methodology for selecting applications to audit. Furthermore, ETA had not conducted audits of all the applications selected for audit. As employers and representatives such as labor brokers and others learn what elements in an application are likely to trigger an audit, they may be able to structure applications in a way that could lessen the likelihood of applications being audited.

OIG'S ASSESSMENT OF DEPARTMENT'S PROGRESS: The Department has instituted measures to reduce fraud in its FLC programs. As a result of OIG investigations repeatedly demonstrating the need to eliminate the practice of substituting a new foreign worker for the one originally named on a permanent labor certification application, in July 2007 the Department enacted the Fraud Rule which prohibited the practice of substitution.

In addition, the OIG and the Department have been working collaboratively to identify and reduce fraud in the FLC process by providing training and instruction to ETA personnel on better and more creative ways of identifying and referring to the OIG possible labor-related visa fraud. In March 2008, ETA's OFLC launched its Fraud Detection and Protection Unit designed to recognize visa fraud and more expeditiously respond to OIG requests for program-related information. The OIG continues to work closely with ETA's fraud unit.

DEPARTMENT'S RESPONSE: Following are DOL FY 2008 Actions, Remaining Actions, and Expected Completion Dates to Challenges Identified by the OIG, GAO, and DOL.

DOL's Assessment of its Own Progress: ●Green

Maintaining the Integrity of the Foreign Labor Certification Programs Affects Strategic Goal 2 – *A Competitive Workforce,* Performance Goal 2H-*Address worker shortages through the Foreign Labor Certification.* Challenge first identified in FY 2001.

Management Challenge/ Significant Issue	Actions Taken in FY 2008	Actions Remaining and Expected Completion Date
Reduce high incidence of fraud. Increase the detection of fraudulent labor applications during the certification process. OIG investigations of fraud against foreign labor certification yielded significant results.	• Established a Fraud Detection and Prevention Division that uses data mining to review activity as well as enforcement provisions of the recent "fraud rule." • Collaborated with Departments of Homeland Security and State in data sharing to identify, address, and deter H-1B and other visa fraud.	• Monitor the impact of the actions taken in FY 2008 and make adjustments as necessary to enhance detection of fraud–Ongoing. • Redesign the Labor Condition Application online filing system to include data validation edits and logic checks to help detect fraud–FY 2009.
Reduce Permanent Labor certification backlogs. To address limited resources, DOL proposed a fee on employers for the processing of Permanent Labor Certifications.	• Eliminated backlog. • Specialized processing with Atlanta processing PERM applications and Chicago processing H-2A and H-2B applications, which increased efficiency and production. • Proposed charging a fee for service in FY 2009 budget.	• Revise application for Permanent Labor Certification to promote clarity and ease of use by employers–April 2009. • Seek legislation to implement fee proposal–FY 2009. • Increase contractor support for application processing and auditing–FY 2009.
Review regulations implementing the H-2A program and institute changes providing farmers with an orderly and timely flow of foreign legal workers, while protecting the rights of American laborers. OIG's evaluation of the North Carolina Growers Association (NCGA) found that NCGA was not accurately reporting workers who abandoned their jobs and overstated the number of workers requested to accommodate expected abandonments.	Published a Notice of Proposed Rulemaking (NPRM) to redesign the process by which U.S. employers seek labor certification for temporary agricultural labor under the H-2A visa program.	• Review comments on NPRM and issue final regulation–FY 2009. • Develop plans for an online filing system–FY 2009.
Monitor H-2B Program for Non-agricultural Seasonal Workers application caseloads and act to address backlogs as they arise.	• Implemented specialized processing of applications. • Improved processing performance; 77 percent of H-2B applications were processed within 60 days of receipt, an increase from the prior year.	Monitor the impact of actions taken in FY 2008 and make adjustments to prevent backlogs –FY 2009.
Issue H-2B regulations streamlining the process by moving from a government-certified system to an employer-attestation system, akin to the PERM system that has reduced backlogs.	Published the Notice of Proposed Rulemaking (NPRM) that redesigns and modernizes the application process.	Review NPRM comments–FY 2009.

CHALLENGE: Securing Information Technology Systems and Protecting Related Information Assets

OVERVIEW: It is essential for the Department to ensure that its information systems are secure. These systems contain vital sensitive information that is central to the Department's mission and to the effective administration of its programs—systems and information that provide the nation's leading economic indicators such as the Consumer Price Index, unemployment rate, injury and illness rates, workers' compensation benefits, participant pension and welfare plan information and job and training services. The Congress and the public have voiced concerns over the ability of government agencies to provide effective information security and to protect critical data.

CHALLENGE FOR THE DEPARTMENT: Security of information technology (IT) systems is a government-wide challenge and is a continuing challenge for DOL. Keeping up with new threats and IT developments, providing assurances that information technology systems will function reliably, and safeguarding information assets will continue to challenge the Department today and in the future.

The OIG's IT audits have identified access controls, oversight of contractor systems, and the effectiveness of the Chief Information Officer's oversight of the Department's full implementation of mandatory, minimum information security controls as DOL's most significant challenges. The OIG has reported on access control weaknesses over the Department's major information systems since FY 2001. These weaknesses represent a significant deficiency over access to key systems and may permit unauthorized users to obtain or alter sensitive information, including unauthorized access to financial records and data.

Another challenge for the Department is ensuring that information systems operated by contractors have the same level of IT security controls as systems operated by the Department. OIG audit work has disclosed security deficiencies in contractor operated systems.

An OIG FY 2008 Federal Information Security Management Act (FISMA) audit found that the DOL security program did not fully implement minimum security controls. The OIG identified pervasive and obvious weaknesses across DOL, including access controls, certification, accreditation and security assessment, configuration management, contingency planning, and incident response. The OIG has identified these same deficiencies in past years' FISMA audits. The recurring cycle of the same weaknesses, especially obvious access control vulnerabilities, identified by the OIG since FY 2006 demonstrates that DOL's information security program must improve its current effort to fully implement and monitor information security controls throughout the Department.

In light of these challenges, the OIG continues to recommend the creation of an independent Chief Information Officer (CIO) to provide exclusive oversight of IT issues. Accountability can be further enhanced by developing and implementing new reporting lines of communication for the Chief Information Security Officer (CISO) and the Component Program Information Security Officers (CPISO). These new communication lines will require the CISO to report directly to both the CIO and an Executive in the Secretary's Office dealing with major security matters, including progress on maintaining an effective Department-wide information security program. The CPISOs would continue to report directly to their respective component program Assistant Secretary while also reporting to DOL's CISO. These steps will help to establish a greater degree of accountability for an overall effective information security program.

OIG'S ASSESSMENT OF DEPARTMENT'S PROGRESS: In efforts to fully comply with FISMA**, t**he Department is taking steps to improve the security of its information systems by focusing on access controls, policies and procedures, account management, and system authorization. The Department's Chief Information Officer plans to improve upon the testing and monitoring of system security, focusing on those agencies identified as having greater identified vulnerabilities/risks. Finally, the Department has required all employees to complete Computer Security Awareness Training annually.

DEPARTMENT'S REPONSE: Following are DOL FY 2008 Actions, Remaining Actions, and Expected Completion Dates to Challenges Identified by the OIG, GAO, and DOL.

DOL's Assessment of its Own Progress: ● Yellow ↓ (*decline from FY 2007*)

Securing Information Technology Systems and Protecting Related Information Assets Affects all DOL strategic goals. Challenge first identified in FY 2002		
Management Challenge/ Significant Issue	**Actions Taken in FY 2008**	**Actions Remaining and Expected Completion Date**
Protect access to key systems. Prevent unauthorized users from obtaining or altering sensitive information, including financial records and data. (OIG 2008, 2007 PAR)	• Required all employees, managers and contractors to receive mandatory annual computer security awareness training. • Revised and distributed *DOL Computer Security Handbook* Volume 1*, Access Controls,* and Volume 5*, Configuration Management.* • Completed Annual Security Controls Assessment reviews for all DOL major information systems (MIS).	Continue Security Controls Test and Evaluation (SCT&E) Program on access controls—FY 2009.
Improve security controls. Improve testing and monitoring of system security, focusing on agencies identified as having greater identified vulnerabilities and/or risks, and ensure that systems operated by contractors have the same level of IT security controls as those operated by DOL. (OIG 2008)	• Implemented security controls to protect remote information in OMB's Memorandum "*Protection of Sensitive Agency Information*" including DOL-wide protection of personally identifiable information (PII). • Enhanced DOL's Security Controls Test and Evaluation Program and completed specialized security controls testing for all DOL systems. • Updated the *DOL Computer Security Handbook* to incorporate policies and procedures for logging computer readable data extracts. • Implemented mobile device encryption and 2-Factor Authentication solutions. • Reduced four SSN Collections across three DOL agencies.	• Implement solution for logging computer readable data extracts–March 2009. • Collaborate with agencies on long-term SSN reduction issues– Ongoing.
Improve certification and accreditation of systems. (OIG 2008)	• Provided certification and accreditation training to users with significant security responsibilities. • Transitioned VETS MIS from contractor facility to DOL; VETS Information Security Officer (ISO) works closely with DOL's ISO.	• Complete DOL *Computer Security Handbook* update–March 2009. • Continue to review certification and accreditation documentation to ensure adequacy as it is revised and updated– Ongoing.
Create an independent Chief Information Officer (CIO) and implement reporting for the Chief Information Security Officer (CISO) and the Component Program Information Security Officers (CPISO) to report to both the CIO and an Executive in the Secretary's Office. (OIG 2007-2008)	Considered the creation of a new CIO position.	With legislative changes to FISMA under consideration, including creating a chief information security officer (CISO) in each agency, action on this issue will be held in abeyance –FY 2009.

CHALLENGE: Ensuring the Security of Employee Benefit Plan Assets

OVERVIEW: The Department's mission is to protect the security of retirement, health and other private sector, employer-provided benefits for America's workers, retirees and their families. These benefit plans consist of approximately $5.6 trillion in assets covering more than 150 million workers and retirees. EBSA is charged with overseeing the administration and enforcement of the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA).

CHALLENGE FOR THE DEPARTMENT: Protecting these benefit plan assets against fraud is a challenge for the Department. OIG labor racketeering investigations demonstrate the continued vulnerability of plan assets to criminal activity.

Employer benefit plan audits by independent public accountants provide a first-line defense for plan participants against financial loss. Ensuring that audits by independent public accountants meet quality standards adds to the Department's challenge in providing adequate oversight. However, DOL's authority to require plan audits to meet standards remains limited because the Department does not have the authority to suspend, debar, or levy civil penalties against employee benefit plan auditors. The Department must obtain legislative change to correct substandard benefit plan audits and ensure that auditors with poor records do not perform additional plan audits.

Other legislative changes recommended by OIG include the repeal of ERISA's limited scope audit exemption that prevents independent public accountants from rendering an opinion on the plans' financial statements or assets held in other regulated entities such as financial institutions, requiring plan administrators or auditors to report potential ERISA violations directly to DOL, and strengthening criminal penalties in Title 18 of the U.S. Code to provide a stronger fraud deterrent.

Another challenge is the Department's responsibility for regulatory oversight of ERISA health care provisions. DOL needs to continue to work closely with State insurance commissioners and the Department of Justice to assist in the identification and prosecution of fraudulent Multiple Employer Welfare Arrangements.

The OIG is planning an audit to determine how EBSA evaluates the effectiveness of its National enforcement projects and uses this information to direct future enforcement activities. Further, the OIG is beginning an audit to evaluate whether EBSA's Rapid ERISA Action Team project proactively identifies employers facing financial hardships in order to protect the rights and benefits of pension and health plan participants when the plan sponsor faces severe financial hardship.

OIG'S ASSESSMENT OF DEPARTMENT'S PROGRESS: While the Department has sought the recommended legislative changes, these changes have not been enacted.

DOL continues to utilize a multi-pronged strategy to help ensure compliance with ERISA Title I. EBSA has also reached out to other Federal enforcement agencies to broaden its enforcement efforts. A Memorandum of Understanding (MOU) was signed on July 29, 2008, between EBSA and the Securities and Exchange Commission. The MOU establishes a process for both agencies to share information and meet regularly on matters of mutual interest, including findings and trends, enforcement cases, and regulatory requirements.

DEPARTMENT'S RESPONSE: Following are DOL FY 2008 Actions, Remaining Actions, and Expected Completion Dates to Challenges Identified by the OIG, GAO, and DOL.

DOL's Assessment of its Own Progress: ●Green

Ensuring the Security of Employee Benefit Plan Assets Affects Strategic Goal 4, *Strengthened Economic Protections* and Performance Goal 4D- *Enhance pension and health benefit security.* Challenge first identified in FY 2000.

Management Challenge/ Significant Issue	Actions Taken in FY 2008	Actions Remaining and Expected Completion Date
Implement the Pension Protection Act of 2006. (2006-7 DOL)	Issued regulations implementing the Pension Protection Act of 2006.	Continue to implement regulations–FY 2009.
Strengthen oversight authority over plan auditors and ensure that auditors with poor records do not perform additional plan audits. (OIG 2007-8)	There were no legislative initiatives during this time. However, DOL took the following actions to address the concern: • Implemented a CPA firm inspection program, focusing on firms conducting a significant number of audits. • Reviewed 356 sets of work papers from CPA firms performing smaller numbers of audits. • Referred 25 CPA firms to the American Institution of Certified Public Accountants Ethics Division or state board of public accountancy.	Continue to focus on CPA firms that perform a significant amount of plan audit work and to selectively target those that have smaller audit practices for ongoing enforcement–FY 2009.
Continue efforts to decrease the number of fraudulent Multiple Employer Welfare Arrangements (MEWAs). Carry out regulatory oversight of ERISA health care providers by working closely with State insurance commissioners and the Department of Justice to identify and prosecute fraudulent MEWAs. (OIG 2007-8)	• Worked with Justice to prosecute these complex white-collar crimes. • Closed 46 civil and criminal cases. • Coordinated enforcement actions against fraudulent MEWAs with the National Association of Insurance Commissioners (NAIC). • Health Fraud/MEWAs was a national enforcement project for FY 2008, with a focus on health fraud recidivists.	• Meet with NAIC quarterly to coordinate enforcement actions against fraudulent MEWAs–FY 2009. • Coordinate closely with NAIC and DOJ officials–FY 2009. • Post names of individuals and entities against whom DOL obtains health fraud or MEWA-related injunctions on DOL's public website–FY 2009.

CHALLENGE: Preserving Departmental Records

OVERVIEW: The Federal Records Act of 1950 requires that the head of each Federal agency establish and maintain an active records management program. The National Archives and Records Administration has oversight responsibilities for Federal records management programs. The Department's Assistant Secretary for Administration and Management is responsible for managing the Department's records and for providing overall policy direction for the Department's records management program. The Department's records management program consists of records creation, maintenance and use, and disposition of records to achieve adequate and proper documentation of the Department's policies and transactions.

CHALLENGE FOR THE DEPARTMENT: It is a challenge for the Department to ensure that it preserves records in accordance with laws and regulations, and properly disposes of those records it is not required to keep. It is also a major challenge for the Department to have an effective recordkeeping and document management system to manage e-mails and electronic file needs. DOL may be at risk of not being able to address in a timely and complete manner e-mail and electronic file needs required as a result of legal hold orders and litigation discovery.

An additional challenge is the proper handling for both hard copy and electronic records that do not have legal retention requirements. Although these documents and files are not considered long-term Federal records, they may be subject to legal holds, congressional requests, and requests under the Freedom of Information Act. It is therefore important that they are disposed of in accordance with an appropriate records management program.

The OIG's recent audit of the Department's Records Management Program found that the Department had not: conducted comprehensive periodic evaluations of its records management program; provided records management training to all staff, or effectively managed transitory records or documents that have no legal retention requirements.

OIG'S ASSESSMENT OF DEPARTMENT'S PROGRESS: Records management is an emerging challenge for the Department and agencies government-wide, particularly as reliance on electronic documents continues to increase. In FY 2008, the Department implemented mandatory Records Management Training for all its employees. The Department will conduct periodic evaluations of agency's records management programs over a five year cycle beginning in FY 2009. The Department has undertaken other efforts to improve its records management program, including issuing guidance and specific instructions on how to handle electronic records, issuing an updated Records Management Handbook, and updating agency records schedules. The Department has also stated that it will update its cost-benefit analysis regarding the establishment of an electronic recordkeeping and document management system. Such a system would provide capabilities for storing, indexing, locating and tracking e-mails that are Federal records and addresses the unnecessary retention of e-mails that are transitory records or non-records.

DEPARTMENT'S RESPONSE: Following are DOL FY 2008 Actions, Remaining Actions, and Expected Completion Dates to Challenges Identified by the OIG, GAO, and DOL.

DOL's Assessment of its Own Progress: ●Green

Preserving Departmental Records Affects all DOL strategic goals. Challenge first identified in FY 2007		
Management Challenge/ Significant Issue	**Actions Taken in FY 2008**	**Actions Remaining and Expected Completion Date**
Improve the records management program. (OIG 2008)	• Completed mandatory records management training for96 percent of all managers and employees, including contractors.	• Standardize the conduct of periodic evaluations of records management programs over a five-year beginning in FY 2009 and conduct first evaluation–Dec 2008.
Implement effective recordkeeping and document management for e-mails and electronic files. (OIG 2008) http://www.oig.dol.gov/public/reports/oa/2008/03-08-001-07-001.pdf	• Issued guidance and instructions on proper handling of electronic records. • Updated *Records Management Handbook* and agency records schedules to cover e-mails and electronic files.	• Update cost-benefit analysis of an electronic recordkeeping and document management system. Address the system's latest technical developments, optimal system design and deployment (distributed or centralized), capabilities for storing, indexing, locating and tracking e-mails that are Federal records, and the unnecessary retention of e-mails that are transitory records or non-records–March 2009.

EMERGING CHALLENGE

Congress enacted the Energy Employees Occupational Illness Compensation Program Act to provide timely, uniform, and adequate compensation to civilian men and women suffering from cancer and other illnesses incurred as a result of their work in the nuclear weapons production and testing programs of the Department of Energy and its predecessor agencies. As of August of this year, the Department had received 167,018 claims, and issued decisions to approve or deny benefits on nearly 82 percent of these claims. The Department had approved slightly more than 39 percent of claims and paid nearly $3.8 billion in compensation plus more than $200 million in medical reimbursements.

Recent inquiries by several members of Congress and the public have raised concerns as to whether the Department unfairly denies too many claims and whether claims decisions are timely.

In response to concerns about the Energy workers' program, the OIG is conducting an audit to determine whether claim decisions issued by the Department complied with applicable law and regulations, and whether the Department has a system in place to ensure that claims are adjudicated as promptly as possible and claimants are kept informed.

The President's Management Agenda

In FY 2008, the Department continued its focus on implementing the President's Management Agenda (PMA) and securing the taxpayer benefits tied to PMA success. Announced in 2001, the PMA remains the key strategy for improving the management and performance of the Federal government. The objective is to ensure a Federal government that is citizen-centered, not bureaucracy-centered; results-oriented, not output-oriented; and market-based – actively promoting rather than stifling innovation through competition.

The Office of Management and Budget (OMB) regularly assesses all Federal agencies' implementation of the PMA, issuing a quarterly Executive Branch Management Scorecard rating of green, yellow or red for both status and progress on each initiative. On June 30, 2005, the Department of Labor became the *first* Executive Branch department or agency to achieve green status scores on all five government-wide PMA initiatives. While not an end in itself, this achievement represents an ongoing commitment to good management to bring quality services to the American people.

As noted on the table below, as of September 30, 2008, DOL is pleased to have again achieved all-green status scores on the five government-wide initiatives. DOL has also achieved all-green status scores on the three PMA program initiatives managed by DOL. Government-wide PMA results can be found at www.results.gov.

Department of Labor's PMA Scorecard Status		
Executive Branch Management Scorecard	**September 2007 Status**	**September 2008 Status**
Human Capital	Green	Green
Commercial Services Management	Green	Green
Financial Performance	Green	Green
E-Government	Green	Green
Performance Improvement Initiative	Green	Green
Eliminating Improper Payments	Green	Green
Faith-Based and Community Initiative	Green	Green
Federal Real Property Asset Management	Green	Green

To ensure that the good-government principles are used in day-to-day management, the Department uses a similar scorecard on a semi-annual basis to measure DOL individual agency progress on the PMA. As we approach the eighth year of PMA implementation, it is useful to review the Department's accomplishments in all five government-wide initiatives and the three PMA initiatives managed by DOL.

Strategic Management of Human Capital

The Human Capital initiative requires Federal agencies and departments to develop and use a comprehensive human capital plan, with the aim of significantly reducing mission-critical skill gaps. To develop future leaders with the critical skills and experience needed to effectively manage DOL programs, the Department has established the MBA Fellows, Senior Executive Service (SES) Candidacy, and Management Development programs. Each of these programs is structured to develop the core competencies required for successful performance in the SES and necessary to continue the Department's mission.

Since their inception, these programs have trained 230 participants, who are now better prepared to successfully manage DOL's programs. Of the 92 MBA Fellows, DOL has retained 70 (76 percent), exceeding our own established target. The Management Development Program has been similarly effective, as 54 percent of the 48 graduates from the first two classes have been promoted to managerial or supervisory positions. Because attrition in the Department's ranks of SES is anticipated to be up to 70 percent over the next five years, the SES Career Development Program is critical to our succession planning. We are pleased to report that the Department retained 45 (80 percent) of the 56 graduates from the program since its inception. Of the 19 graduates who are now in SES positions, 17 were retained for at least three years following graduation and 15 continue to be employed by DOL.

Commercial Services Management

The Commercial Services Management initiative – which in FY 2008 replaced the Competitive Sourcing initiative – is aimed at making a more competitive Federal workforce. Commercial Services Management allows the government to take advantage of market-based competition by having current Federal employees compete against private sector bidders for work that is deemed commercial activity through OMB Circular No. A-76, *Performance of Commercial Activities*. The skills and competencies that are not required to be performed by government personnel can often be performed more effectively and efficiently when subject to the competition of the marketplace. The competition process generally results in savings regardless of whether the performance decision is in favor of the government or the private sector.

Before 2001 DOL held no competitions under Circular A-76, and to the extent that DOL agencies used contractor support, it was done without the benefit of competition. Since implementing its Commercial Services Management initiative, DOL has completed 28 A-76 competition studies covering 1,068 FTE positions, saving the government approximately $67 million. Of the 28 competitions, 26 were retained "in house," with the work continuing to be performed by Federal employees.

Improved Financial Performance

The Improved Financial Performance initiative is focused on ensuring responsible stewardship of public funds. The Office of the Chief Financial Officer (OCFO) has devoted significant resources to secure the Department's achievement of excellence in financial management in the Federal Government. This excellence is evidenced by DOL's clean audit opinion for FY 2008, which marks the 12th straight year for this achievement. Prior to 2001, the arduous task of closing the Department's books meant delaying the issuance of the audited financial statements. Beginning in 2004, the Department accelerated the closing of its books and has been able to issue its audited financial statements by November 15th – three months earlier than in the past. Producing timely financial statements and receiving a clean audit opinion demonstrate the Department's commitment to secure the best performance and highest measure of accountability to the American people.

Cost Analysis Manager (CAM), the Department's managerial cost accounting system, provides program managers with the cost of significant outputs of their major programs, which enhances decision-making and assists in the efficient and effective operation of programs. CAM produced the data for the cost of the Department's goals at the strategic and performance goal levels for this report; and for the third straight year CAM provided cost data at the performance indicator level. These data provide insight into the cause-and-effect relationship between the costs of outputs and the activities performed by the Department. In other words; CAM data enable DOL to identify what was spent, how it was spent, what was produced, and what goals were supported. As a result of the data provided by CAM some DOL agencies have been able to refine their budgeting to more accurately reflect costs. This has allowed precious funds to be distributed more appropriately to agency programs, facilitating increases in overall performance.

Expanded Electronic Government (E-government)

This initiative requires Federal agencies and departments to develop secure Information Technology (IT) systems and strictly adhere to IT project cost, schedule, and performance projections. One example of this approach is E-Grants. E-Grants is a web-based grants management tool used by all DOL grant-making programs to award some $9 billion in grants each year. E-Grants lowers administrative costs, strengthens internal controls, and improves efficiency and customer service. Estimated savings and cost avoidance associated with E-grants is nearly $20 million over the system's twelve-year life. Another example is the Safety and Health Information Management System (SHIMS), which is a Web-based system for collecting, submitting and tracking Federal workers' injury and illness compensation claims. SHIMS, a "best practice" of U.S. Government agencies, will lead to efficiency gains by providing timely and accurate workplace safety data. The increased speed and accuracy expected from SHIMS will greatly enhance the timeliness of submission of workers' compensation claims; provide managers, supervisors, and employees access to safety data; and furnish DOL with a mechanism for performing analysis of injury trends and safety incidents. The estimated cost avoidance from SHIMS is $2.4 million dollars over the system's life time.

DOL also continues to seek other creative strategies and efficiencies to better serve our stakeholders. In April 2002, GovBenefits.gov was launched – with DOL serving as the managing partner. GovBenefits' mission is to use the Internet to connect citizens to government benefit program eligibility information; increase access to information, particularly for people with disabilities; reduce the burden and difficulty of doing business with the government; and continue to add programs to become the single source for Federal, State, and local government benefit programs. In April 2005, DOL launched *GovBenefits en Español* – and in April 2007, GovBenefits.gov was named as one of the Top 50 most innovative government programs in the *Innovations in American Government Award* program of Harvard University's John F. Kennedy School of Government. In fact, GovBenefits.gov was one of only six Federal programs so recognized. Since its 2002 launch, GovBenefits.gov has had over 25 million visits – and now includes over 1,000 programs, both Federal and State.

Performance Improvement Initiative

The Performance Improvement Initiative – which, as of July 1, 2007, replaced the Budget and Performance Integration initiative of the PMA – seeks to ensure that performance is routinely considered in funding and management decisions and that agency programs achieve expected results while working toward continual improvement. At DOL, it has also resulted in a gradual cultural shift that fosters a closer dialogue among program, performance, budget, and finance staff. Following are four notable areas of progress:

<u>Departmental E-Budgeting System (DEBS)</u>

Prior to 2001, the budget process was a tedious, paper-based exercise. However, DOL has automated the budget formulation process with the use of the Departmental E-Budget System (DEBS). DEBS allows budget analysts the ability to easily and electronically merge budget data with justification narrative using a web browser. After a pilot phase, the DEBS system was rolled out to all of DOL for the FY 2009 budget cycle.

<u>Program Assessment Rating Tool (PART)</u>

DOL recently concluded two re-assessments through the 2008 PART process – the Federal Employees' Compensation Act (FECA) and the WIA Youth Activities. FECA's PART rating remained at *Moderately Effective*, while the WIA Youth program improved upon its previous *Ineffective* rating (2003 PART assessment) to a rating of *Adequate*. The reduction in the volume of assessments in 2008 is due to the government-wide initiative to review all PART performance measures. The PART performance measures analysis consisted of an independent review for their clarity, outcome orientation and ambitiousness. DOL will use the findings of the independent review as well as an internal, DOL review of the measures, to make improvements to our performance measures. PART assessments, scores, ratings, and Improvement Plans are published on *www.ExpectMore.gov*.

Rigorous Evaluation of Major Job Training Programs
DOL hired a contractor to conduct an independent study of the WIA Adult and Dislocated Workers programs' effectiveness – using administrative data – to be completed in 2008. Also in 2008, DOL launched a rigorous, seven-year evaluation to determine WIA Adult, Dislocated Worker and Youth services' long-term impact on participants' employment and earnings outcomes, compared to those who do not receive program services.

Strategic Planning and Program Performance
The Government Performance and Results Act of 1993, calls for six-year strategic plans that must be updated every three years. The Department's current strategic plan was issued in September 2006 and covers Fiscal Years 2006 through 2011. DOL will soon begin to develop an updated Strategic Plan – covering Fiscal Years 2009 through 2014 – which will be in place no later than September 30, 2009.

The Department's four strategic goals of *A Prepared Workforce*, *A Competitive Workforce*, *Safe and Secure Workplaces*, and *Strengthened Economic Protections* have served us well – but the 2009 strategic planning process will offer a new opportunity to re-examine DOL's goals, program strategies and performance targets. This will allow DOL to continue to articulate the critical results the Department will seek to achieve and describe the planned strategies to ensure success. The 2009 planning process will also allow DOL to solicit feedback from key stakeholders, such as Congressional leadership and the public.

Agency-specific PMA Program Initiatives

In addition, DOL is responsible for three of the PMA components found in selected departments: *Eliminating Improper Payments, Faith-Based and Community Initiative,* and *Federal Real Property Asset Management*.

Eliminating Improper Payments Initiative
The Eliminating Improper Payments initiative seeks to better detect and prevent improper payments to ensure taxpayer dollars are spent wisely and efficiently. At DOL, developing strategies and the means to reduce improper payments is good stewardship – and good business. Accurate payments lower program costs, thereby improving efficiency. In FY 2005, when the Administration introduced this PMA scorecard initiative, the Department received a yellow rating. Within one year, DOL's programs classified as high risk for improper payments met the improper payments reduction targets and other requirements of the PMA initiative and earned DOL a green in both progress and status on this scorecard.

DOL is required annually to estimate the amount of improper payments made in the identified high risk programs; report those estimates to Congress; and convey what actions DOL is taking to reduce the improper payments. The Department has three programs classified as high-risk for improper payments. Two are benefit programs – Unemployment Insurance (UI) in ETA and the Federal Employees' Compensation Act (FECA) program in ESA – and the third is the Workforce Investment Act (WIA) Adult, Dislocated Worker, and Youth grant programs in ETA.

DOL continues to develop strategies to improve payment integrity for its programs. For example, through the efforts of the Department's Office of the Chief Financial Officer and ETA, 48 States now use a cross-match of National Directory of New Hires data with State UI claimant data to identify individuals who returned to work and are, therefore, no longer eligible to receive UI benefits. The FECA and WIA programs have developed systems and audit procedures to help identify and reduce improper payments.

Faith-Based and Community Initiative
The Faith-Based and Community Initiative is focused on tapping into the unique work of local faith-based and community organizations (FBCOs) to help more Americans overcome barriers to employment, find jobs and stay employed. Prior to 2001, the Federal government often impeded or ignored the efforts of faith-based and community groups to address social problems by imposing an improperly restrictive view of their appropriate role. Now, the Department has regulations clarifying how faith and community-based organizations can participate in

competitions for and use DOL funding. The Department employs a wide range of grants, technical assistance and other tools to draw upon the unique strengths of FBCOs in efforts such as serving the unemployed and underemployed, aiding homeless and incarcerated veterans, helping ex-offenders transition from prison to work, and reducing exploitive child labor abroad.

DOL's Center for Faith-Based and Community Initiative (CFBCI) worked with the Employment and Training Administration to develop the Grassroots Grants program, dedicating $10.9 million Federal dollars to 247 grassroots FBCOs in 42 States to serve (in partnership with One-Stop Career Centers) more than 37,700 hard-to-serve individuals – ranging from ex-offenders to homeless individuals to persons with disabilities – placing 15,376 of those individuals in jobs. Since 2001, efforts supported by the Bureau of International Labor Affairs, Office of Child Labor, Forced Labor and Human Trafficking, have withdrawn or prevented more than 1.2 million children around the world from exploitive child labor, largely through the work of international and nonprofit organizations, including indigenous community and faith-based groups.

Federal Real Property Asset Management

The Federal Real Property Asset Management initiative is aimed at better managing the Department's properties. Prior to 2001, DOL component agencies managed their owned real property assets independent of any centralized, coordinated, and consistent oversight process. For DOL nationwide office space occupied through agreements with GSA, the Department had no automated reporting system to help manage this space. The appointment of a Senior Real Property Officer, establishment of a Real Property Working Group, incorporation of Federal Real Property Council performance measures into property site survey/data collection activities and the creation of an online Space Management System has brought centralized oversight, more consistent real property management practices, and increased information sharing among DOL agencies with real property assets.

From 2001 to 2008, DOL closed more than 100 offices and released more than 100,000 square feet of space – thus achieving a cost avoidance of approximately $3 million in rent during this period. These key results and related Real Property successes of all DOL agencies – especially the Office of Job Corps, MSHA, and OASAM – led to an upgrade to green in DOL's status on DOL's Real Property scorecard in March 2008 – completing a clean sweep of green on all eight of our second-quarter FY 2008 PMA scorecards.

1913- 2013: Planning Starts for the Department of Labor Centennial Celebration

Legislation establishing the U.S. Department of Labor was signed by President William Howard Taft on March 4, 1913 – just hours before leaving office. While the Department's Centennial is still over four years away, Secretary Chao appointed two co-chairs to begin planning events to commemorate this momentous occasion. While future Secretaries will decide upon the executive leadership and make other key decisions for the 100th anniversary events, the recently appointed two career-level co-chairs will help avoid any delay in the momentum for planning this event.
Photo Credit: DOL

Performance Section

Reporting Performance Results

The Performance Section of this report presents results at the Strategic Goal and Performance Goal levels. The four Strategic Goals established in our FY 2006-2011 Strategic Plan are general outcomes clearly linked to the Department's mission. Performance goals articulate more specific objectives associated with one or more programs administered by a distinct DOL agency. Progress in achieving these goals is measured by one or more quantifiable performance indicators, for which targets are established in the annual Performance Budget Overview. Each of the four strategic goal sections is introduced by an overview of results, net cost and future plans for its component performance goals. Results at the performance goal level are presented in separate narratives, each of which includes the following:

- **Performance Goal** statements appear at the top of the page, followed by number that help organize this report but also correspond to commitments in DOL's annual budget\performance plans. The first two digits correspond to the funding (budget) period; in this report, "08" indicates goals reporting on a fiscal year and "07" those reporting on a program year. The single digit following the hyphen identifies the strategic goal and the letter distinguishes the performance goal from others in the same group (e.g., 08-1A). The agency acronym (e.g., BLS) is in parentheses.[17]

- **Indicators, Targets and Results** tables list each indicator, its targets and results for the reporting period and previous years that have data for the same indicators. Indicators that were dropped prior to the current year are not shown; however, a note indicates where additional historical performance information (legacy data) can be obtained. Where all data for any year are shown, goal achievement is indicated. Where "baseline" appears in the target cell for new indicators, no data were available for establishing a numerical target, and these data do not count towards goal achievement. If results improve over the prior year but do not reach the target, "I" appears in the target cell. Net cost associated with the goal and indicators is also provided.[18]

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

- **Analysis and Future Plans** narratives interpret results, assess progress, explain shortfalls and describe strategies for improvement. Performance data at the indicator level and net cost at the goal level are displayed in charts where sufficient data are available to illustrate trends.

- **PART, Program Evaluations and Audits** tables provide updated information on Program Assessment Rating Tool reviews and improvement plans. Relevant audits and evaluations completed during the fiscal year are summarized in tables that summarize relevance, findings and recommendations, and next steps.

- **Data Quality and Top Management Challenges** narratives discuss DOL's confidence in the performance information reported for the goal's measures and address management challenges that may have significant implications for achievement of program performance goals.[19]

[17] FY 2008 covers October 1, 2007 to September 30, 2008; PY 2007 covers July 1, 2007 to June 30, 2008.
[18] See also Program Net Costs table in Cost of Results section of the Program Performance Overview (Management's Discussion and Analysis).
[19] See Top Management Challenges table in Management's Discussion and Analysis.

Data Quality

This report is published six weeks after the end of the fiscal year. Since the Department uses a wide variety of performance data submitted by diverse systems and governed by agreements with State agencies and grant recipients, it is not possible in all cases to report complete data for the reporting period. The Department requires each agency responsible for performance goals in this report to submit a Data Estimation Plan in February that identifies, for each indicator, whether complete data are expected by the deadline for final review of the report in early October. If the data will not be available by then, the agencies must submit an acceptable plan to estimate results for the remainder of the year. Methodologies developed by agencies' program analysts are reviewed by the Department's Center for Program Planning and Results and the Office of Inspector General (OIG). The most common methods are substitution or extrapolation of two or three quarters of data and – for data with significant seasonal variation – use of the missing period's results from the previous year. Estimates are clearly identified wherever they are used in this report. With very few exceptions, final (actual) data are available by the end of the calendar year; these data will be reported in the FY 2010 President's Budget and the FY 2009 Performance and Accountability Report.

OIG assesses the internal controls of DOL agencies – systems used to validate, verify and record data submitted by field staff and partners (e.g., grantees). These systems are identified as Data Sources at the bottom of each performance goal history. Lack of findings does not imply that data are factual.

Material inadequacies are disclosed in the Secretary's Message, which includes a statement on the adequacy of program performance data that is supported by signed attestations from each agency head responsible for a performance goal in this report. OMB Circular No. A-11, *Preparation of Submission and Execution of the Budget*, defines "material inadequacy" as a condition that significantly impedes the use of program performance data by agency managers and government decision makers. For Departmental management, this threshold is established at the performance goal level as data that are insufficient to permit determination of goal achievement. This is an uncommon occurrence, as most DOL performance goals have sufficient indicators and historical data to allow reasonable estimation of results.[20]

DOL uses a Data Quality Assessment process to improve the quality of performance information reported to the public. By doing so, DOL not only increased the transparency of data quality among performance goals, but also implemented a forward-looking method for systematically evaluating data systems using widely accepted criteria. By increasing the visibility of data quality, DOL is using the assessment process as an important benchmark for monitoring progress and stimulating change.

Data assessments are based on seven criteria, of which two – accuracy and relevance – are weighted twice as much as others in the rating system (see box below). If data do not satisfy the standards for both of these criteria, the rating is *Data Quality Not Determined*. This reflects the DOL policy that further assessments of quality are irrelevant if the information is not reasonably correct or worthwhile. In FY 2008, no data assessments resulted in this rating.

[20] Last year, data for one program/performance goal – the Community Based Job Training Grants (CBJTG) – were considered inadequate and omitted from the FY 2007 Performance and Accountability Report. Systems that would allow CBJTG to report on the job training common measures are currently being developed. Consequently, CBJTG measures were excluded from DOL's FY 2008 Performance Plan and again excluded from the Performance and Accountability Report.

Data Quality Rating System

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

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

Accurate Data are correct. (10 points)

- Deviations can be anticipated or explained.
- Errors are within an acceptable margin.

Relevant Data are worth collecting and reporting. (10 points)

- Data can be linked to program purpose to an extent they are representative of overall performance.
- The data represent a significant budget activity or policy objective.

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

Complete Data should cover the performance period and all operating units or areas. (5 points)

- If collection lags prevent reporting full-year data, a reasonably accurate estimation method is in place for planning and reporting purposes.
- Data do not contain any significant gaps resulting from missing data.

Reliable Data are dependable. (5 points)

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

Timely Data are available at regular intervals during the performance period. (5 points)

- The expectation is that data are reported quarterly.
- Data are current enough to be useful in decision-making and program management.

Valid Data measure the program's effectiveness. (5 points)

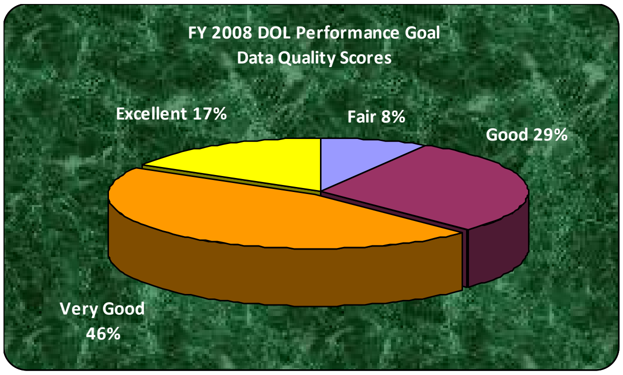
- The data indicate whether the agency is producing the desired result.
- The data allow the agency and the public to draw conclusions about program performance.

Verifiable Data quality is routinely monitored. (5 points)

- Quality controls are used to determine whether the data are measured and reported correctly.
- Quality controls are integrated into data collection systems.

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

After three years, the DOL data quality assessment process continues to challenge agencies' data systems. Designed to encompass more than the mechanics of data collection, the assessments also question the value of information collected and the extent to which it provides evidence of goal achievement. One of the most important outcomes of this process, aside from increasing the transparency of performance information reported in the PAR, is encouraging the development of plans to either maintain or improve data quality.



In FY 2006, DOL established the data quality assessment scale recognizing that the Department lacked a systematic process for advancing the department-wide goal to improve the quality of data presented in the PAR. The data quality assessment process supports this goal by exposing data quality issues and seeking targeted remedies strictly within the parameters of the performance goal data for that fiscal year. The data quality assessment process matures each year to realistically reflect the pace of progress and to incorporate further guidance from OMB.

In the first year, DOL conducted baseline assessments of data for all performance goals. In FY 2007, DOL reviewed these assessments to determine whether ratings merited an upgrade or downgrade. By contrast, the prior year assessment process primarily collected improvement plans based on the recently completed baseline assessments. The FY 2008 assessment required updates on activities to strengthen data, as defined by the rating scale criteria, or to maintain already robust systems. Agencies sought upgrades based on improvements to this fiscal year's data. Downgrades were also possible, as evidenced with last year's downgrade of Senior Community Service Employment Program (SCSEP) within ETA, but did not occur in FY 2008.

Data for sixty-three percent of performance goals are rated *Very Good* or *Excellent*, and with the inclusion of *Good*, the total reaches 92 percent. No performance goals were rated *Unsatisfactory*, nor were any rated *Data Quality Not Determined* (*DQND*) due to fundamental problems with accuracy and relevance. Three performance goals received upgrades – two of which were rated *DQND* in FY 2007. PBGC implemented new performance measures from its FY 2007 PART which better reflect the mission of the program, thus satisfying the threshold criterion of relevance. ETA's SCSEP expeditiously addressed the issues of accuracy and completeness related to the quality of its performance data, which had undermined its ability to report results in the FY 2007 PAR. Grantee reporting was carefully reviewed for anomalies and variations throughout the year to ensure improved data quality and complete reporting by year's end. MSHA improved the timeliness of its health indicators by fully implementing more rigorous reporting requirements for its field and district offices, thereby increasing its score from a *Good* to *Very Good*. The last section of each performance goal narrative contains additional information about data quality.

Data Quality Criteria Met	Percent of Performance Goals
Verifiable	46%
Reliable	67%
Valid	71%
Timely	79%
Complete	79%
Accurate	100%
Relevant	100%

At the Departmental level, certain criteria are met more frequently than others. With the two performance goal upgrades, all DOL performance goals satisfy the threshold criteria of accurate and relevant. Over two-thirds of performance goals are supported by data that is valid, timely, and complete. As indicated in the adjacent table, the clear challenges for many performance goals are data reliability and the ability to verify the data. Less than half of all performance goals have data quality controls in place that routinely monitor data and are fully integrated into the data collection system. Verifiability emerges as a predominate issue largely as a result of ETA's numerous grant programs and its challenges monitoring and enforcing standards among grantees' diverse data systems. The reliability issue covers numerous agencies and generally reflects a lack of uniform definitions for data collection or inconsistent data reporting across years. As agencies refine performance measures, methodologies, and definitions to improve performance reporting, they can find it more difficult to demonstrate meaningful trends.

In FY 2009, in addition to the agencies' self-assessments and OASAM's review of those assessments, the Department will undertake an independent evaluation of the data for selected programs/performance goals. This evaluation will also analyze the current rating scale and make recommendations to improve the scale and process, particularly in support of the heightened requirements in OMB Circular No. A-11 (2008).

Strategic Goal 1: *A Prepared Workforce*

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

America's engine of prosperity is its skilled workforce. Maintaining a country's strong national economy depends, in part, on developing a steady stream of workers who possess skills required by today's employers. To expand the size and capabilities of the labor pool, DOL provides comprehensive training programs that focus on specific occupational skills while taking into account job seekers' circumstances. The Department also produces labor statistics that individuals and businesses can use to better understand the job market and the economy. DOL agencies and offices supporting this goal are:

- Bureau of Labor Statistics (BLS),
- Office of Job Corps (OJC),
- Employment and Training Administration (ETA),
- Veterans' Employment and Training Service (VETS),
- Women's Bureau, and
- Center for Faith-Based and Community Initiatives.

A prepared workforce has the skills and the education that employers demand. Education – from literacy to vocational training – plays a fundamental role in preparing workers for life-long employment. In addition, DOL programs focus on helping those who face exceptional barriers to successful employment. These individuals, such as low-income youth and homeless veterans, benefit from training tailored to their unique needs. Here are a few highlights of program outcomes for FY 2008:

For Youth

- Despite not meeting its indicator targets, Job Corps continued to place nearly three quarters of the disadvantaged youth it served in employment, post-secondary education, or advanced occupational skills training.
- Fifty-seven percent of the Workforce Investment Act (WIA) Youth program's participants attained credentials such as a General Equivalency Diploma (GED), high school diploma or certificate – the program exceeded the target by 12 percentage points.

For Workers in the Trades

- For the third consecutive year, the fraction of workers in apprenticeship programs who remained employed for nine months after entry rose – to 84 percent, and their average wages rose to nearly $16 per hour.

For Veterans

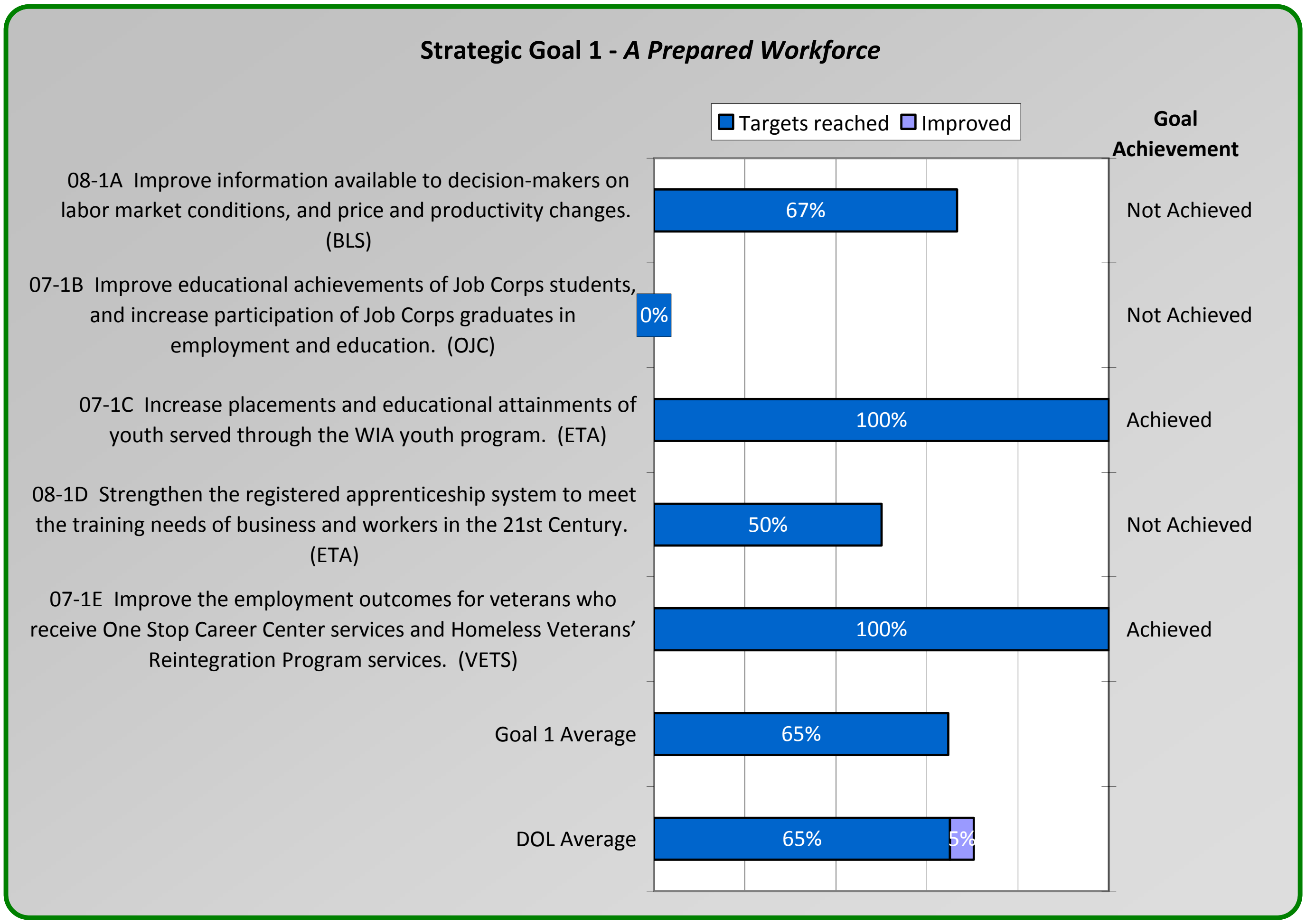
- Entered employment and employment retention rates for all veterans served by One-Stop Career Centers reached 61 percent and 81 percent, respectively.

Jenira, age 19, is a freshman at Penn State University's Shenango Valley campus. Her high school principal referred her to the WIA Youth program at PA CareerLink Mercer County during her senior year of high school because she became homeless in the 11th grade when her mother was incarcerated. Jenira enrolled in the program, was able to obtain part-time employment, and with the help of some of her teachers at Sharon High School, was able to find a small place of her own. She graduated in June, 2007 and continues to support herself and pursue her college education with the help of scholarships. Jenira wants to pursue a career as a Registered Nurse and work with the elderly. She says, "Growing up, I didn't even believe graduating from high school was a possibility, let alone attending college. All my inspiration comes from people putting their trust in me and seeing my best qualities. I have potential...I can make it." Photo credit: Commonwealth Media Services

- Disabled veterans also reached their entered employment and employment retention targets with outcomes of 57 percent and 80 percent, respectively – notable results, considering their significant barriers to employment.

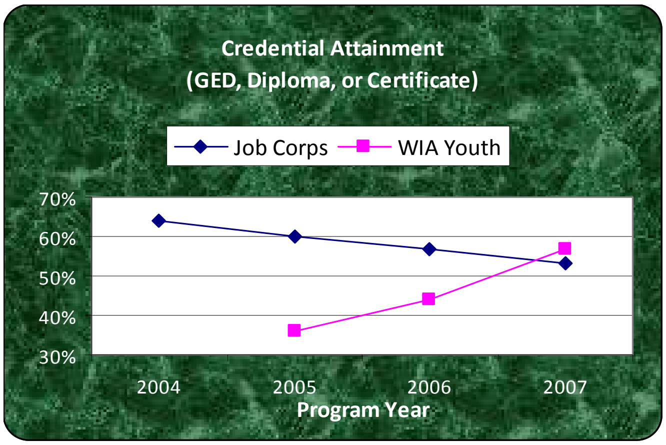
For more specific information, see the Performance Goal narratives.

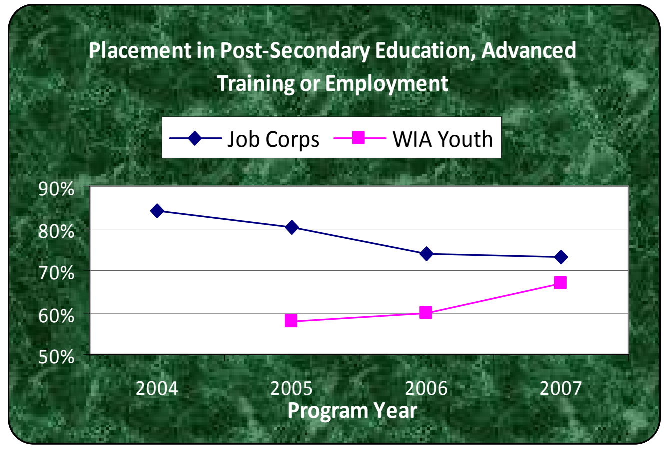
The chart below presents FY 2008 achievements as measured by performance goals and indicators. The performance goal number, goal statement, and responsible agency appear on the left axis, the total percentage of indicator targets reached or improved is indicated in the horizontal bars, and the goal result is on the right axis. Corresponding strategic goal and DOL-wide averages are presented at the bottom of the chart. If the goal is achieved, the bar will run all the way across because, by definition, all indicator targets were reached. If the goal is substantially achieved, the total can range from 80 percent to 100 percent and includes indicators for which the target was not reached, but results improved over the previous year.

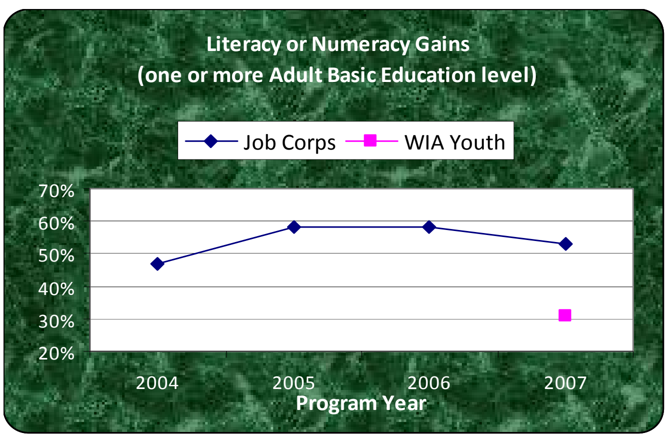


As indicated in the chart above, DOL had five performance goals under Strategic Goal 1 in FY 2008, of which two were achieved (40 percent) – below the Department-wide average of 50 percent. BLS did not achieve its goal; only four of its six targets were reached. Job Corps did not reach any of its targets for placement in employment or education; credential attainment; and literacy or numeracy gains. The WIA Youth Program, which uses the same measures but has different targets, achieved its goal by reaching targets for placement and student academic attainment; baseline data were also collected for the literacy/numeracy measure. The Office of Apprenticeship did not achieve its goal; the employment retention target was reached, but not the average hourly wage gain target. VETS' goal was achieved; targets for all four of the indicators for which they had data were reached.

Over the last few years, Job Corps and the WIA Youth program have implemented the Federal job training program common measures for youth.[21] These measures reflect shared outcome goals and facilitate comparison for management purposes. The charts below provide results to date for both programs. Although both programs target out-of-school and at-risk youth, the results for the three indicators may continue to differ because of the distinct design of each program. One is primarily a longer-term residential program, while the other provides services to youth in their communities. Also, they have followed different common measures implementation trajectories. For more detailed discussion, see each program's performance goal narrative in the pages that follow.







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

The table below provides net costs for all performance goals and indicators associated with this strategic goal.[22] Those with labels that begin with "07" operate on a Program Year (PY) basis, and are reporting on the period from July 1, 2007 to June 30, 2008 due to the forward funding authorized in the Workforce Investment Act of 1998.

Goal or Indicator	Net Costs ($Millions) [23]		
	FY 2006 PY 2005	FY 2007 PY 2006	FY 2008 PY 2007
Strategic Goal 1: *A Prepared Workforce*	**$3,360**	**$3,267**	**$3,464**
Performance Goal 08-1A (BLS) Improve information available to decision-makers on labor market conditions, and price and productivity changes.	573	574	574
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for labor force statistics	–	*268*	*276*
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for prices and living conditions	–	*198*	*192*
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for compensation and working conditions	–	*95*	*92*
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for productivity and technology	–	*12*	*13*
Customer satisfaction with BLS products and services (e.g., the American Customer Satisfaction Index)	–	*0*	*0*
Cost per transaction of the Internet Data Collection Facility	–	*1*	*1*
Dollars not associated with indicators	*573*	–	–
Performance Goal 07-1B (Job Corps) Improve educational achievements of Job Corps students and increase participation of Job Corps graduates in employment and education.	1,402	1,485	1,589
Percent of participants entering employment or enrolling in post-secondary education or advanced training/occupational skills training in the first quarter after exit	*1,402*	*1,485*	*1,589*
Percent of students who attain a GED, high school diploma or certificate by the end of the third quarter after exit			
Percent of students who achieve literacy or numeracy gains of one Adult Basic Education (ABE) level			

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

[23] Net cost as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis.

Goal or Indicator	Net Costs ($Millions)[23]		
	FY 2006 PY 2005	FY 2007 PY 2006	FY 2008 PY 2007
Performance Goal 07-1C (WIA Youth) Increase placements and educational attainments for youth served through the WIA youth program.	1,017	866	966
Percent of youth who enter employment or the military or enroll in post secondary education and/or advanced training/occupational skills training in the first quarter after exit	*1,017*	*866*	*966*
Percent of students who attain a GED, high school diploma, or certificate by the end of the third quarter after exit			
Percent of students who achieve literacy or numeracy gains of one Adult Basic Education (ABE) level			
Performance Goal 08-1D (Apprenticeship) Improve the registered apprenticeship system to meet the training needs of business and workers in the 21st Century.	25	24	25
Percent of those employed nine months after registration as an apprentice	*25*	*24*	*25*
Average hourly wage gain for tracked entrants employed in the first quarter after registration and still employed nine months later			
Performance Goal 07-1E (VETS Employment Services) Improve the employment outcomes for veterans who receive One-Stop Career Center services and Homeless Veterans' Reintegration Program (HVRP) services.	212	211	221
Percent of Veteran participants employed in the first quarter after exit	*89*	*90*	*93*
Percent of Veteran participants employed in the first quarter after program exit still employed in the second and third quarters after exit			
Percent of Disabled Veteran participants employed in the first quarter after exit	*89*	*90*	*95*
Percent of Disabled Veteran participants employed in the first quarter after exit still employed in the second and third quarters after exit			
Entered employment rate for homeless veteran HVRP participants	*30*	*29*	*31*
Employment retention rate after 6 months for homeless veteran HVRP participants			
Dollars not associated with indicators	*4*	*2*	*2*
Other (Youth Offender Reintegration, Indian and Native American Youth Programs, etc.)	131	107	89

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

Performance Goal 08-1A (BLS)

Indicators, Targets and Results

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

Source(s): Office of Publications and Special Studies report of release dates against OMB release schedule for BLS Principal Federal Economic Indicators, News releases for each Principal Federal Economic Indicator, BLS budget submissions and Quarterly Review and Analysis System, ACSI Quarterly E-Government scores.

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

BLS reports performance for this goal by aggregating the underlying performance measures of output, timeliness, accuracy, and long-term improvement for its statistical programs into four comprehensive performance indicators. BLS demonstrates continuous improvement by setting more ambitious targets on its indicators. In addition, the performance measures that underlie those indicators encompass enhancements to BLS products. Examples of these enhancements include new price indexes for four specialty trade contractors, and the addition of three new countries (Argentina, Slovakia, and the Philippines) to the BLS manufacturing series.

BLS measures customer satisfaction with its *Occupational Outlook Handbook* (*OOH*) Web page (www.bls.gov/OCO/), a nationally recognized source of career information. *OOH* is one of the most frequently used BLS Web pages, and the performance indicator allows BLS to assess enhancements and identify potential areas for further improvement. In addition, BLS reports on the efficiency of its Internet Data Collection Facility (IDCF), a single, secure architecture that BLS surveys use to collect information from respondents online. IDCF is an important tool for offering a wider range of reporting options to respondents, as well as a more economical means of data collection.

To generate the highest yields for their clients, investment firms must be able to reliably anticipate market movements. Jeff works as Chief Economist for a money management firm that manages portfolios for both institutional and individual investors. Jeff uses the BLS *Employment Situation* and other BLS Labor Force Statistics data to get a macroeconomic view of the economy to help guide his investment decisions. In particular, Jeff recently used data from the Job Openings and Labor Turnover Survey (JOLTS) to examine labor market churn and wage inflation. Sector-specific data are particularly useful to Jeff as he analyzes the different sectors of the economy. The JOLTS data assist Jeff in his economic research and Federal Reserve analysis. BLS statistics help Jeff manage his portfolios and anticipate labor market movements throughout the business cycle. Photo credit: Horizon Investments, LLC

Analysis and Future Plans

BLS reached targets for four of its six performance indicators. BLS reached 86 percent of the underlying targets for its labor force statistics indicator, missing the target by six percentage points. The Current Employment Statistics (CES) and Local Area Unemployment Statistics programs did not reach their timeliness targets because the September 2007 *Metropolitan Area Employment and Unemployment* news release, which includes data from both programs, was issued a few minutes late due to a systems error. The CES program also missed a workload measure target because BLS released fewer series than planned due largely to confidentiality and reliability reviews. In addition, the Quarterly Census of Employment and Wages program missed one of its workload targets because business establishment growth was lower than projected.

BLS reached 71 percent of the underlying targets for its productivity and technology indicator, missing the target by 29 percentage points. The Major Sector Productivity program missed its timeliness target because a *Productivity and Costs* news release was delayed to correct an error in the text. The Industry Productivity program also missed its workload measure due to discontinuation of 32 productivity-related measures for four manufacturing industries.

BLS reached 92 percent of the underlying targets for its prices and living conditions indicator, exceeding its target by two percentage points. The International Price Program missed two workload targets, and the Consumer Expenditure Survey missed one workload target. BLS reached 96 percent of the underlying targets for its compensation and working conditions indicator. The Census of Fatal Occupational Injuries missed its accuracy measure due largely to delays in obtaining data from one State.

Using the American Customer Satisfaction Index survey to measure the *OOH* Web page, BLS exceeded its target of 79 percent. BLS also exceeded its target for decreasing the cost per transaction of its IDCF. The cost per transaction of $0.76 in FY 2008 decreased from $1.12 in FY 2007, and surpassed the target of $1.11.

Costs associated with this performance goal were virtually unchanged from FY 2007-08.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2003	*Effective*	http://www.whitehouse.gov/omb/expectmore/summary/10000326.2003.html

FY 2008 Progress on PART Improvement Plan

- *Conducting an independent evaluation on how the agency is improving its effectiveness in meeting the needs of its data users.* The evaluation proposal was approved in April 2008. However, BLS is deferring the evaluation until 2009 due to budget constraints. BLS will prepare a statement of work by March 2009.
- *Developing additional efficiency and cost-effectiveness measures to demonstrate ongoing program improvement.* BLS continues to report on its cost per transaction of the IDCF. BLS added an efficiency measure in the 2009 budget to reduce the cost per housing unit initiated in the Consumer Price Index (CPI) as part of a plan to implement a more representative and current sample of geographic areas, as well as a continuously updated housing sample in the CPI. BLS is developing a new efficiency measure for FY 2010.
- *Establishing more ambitious targets for its long term and annual performance measures to drive continued improvement.* BLS regularly reviews its targets to promote continuous improvement. For example, in 2007, BLS added new Business Employment Dynamics series at the State level. Between 2006 and 2007, BLS accelerated the release of selected SOII data by four months, and added three countries to its International Comparisons series. In 2007, and again in 2008, BLS raised the targets for several of its performance indicators.

"Customer Satisfaction with the BLS *Occupational Outlook Handbook* (*OOH*) Website" September 2008 (Federal Consulting Group)

Relevance: As BLS continues to provide more information to customers on its Web site, it is important to know how satisfied customers are with the delivery of BLS products and services. Improvements to the *OOH* portion of the BLS Web site in areas such as search or navigation can increase the usefulness of the Web site to BLS customers.

Findings and Recommendations:	***Next Steps:***
• BLS received a customer satisfaction score of 82 percent for 2008. Results from the *OOH* customer satisfaction survey suggest better search, navigation, and site performance could improve overall customer satisfaction.	• As the culmination of a multiyear improvement effort, BLS launched an enhanced Web site in July 2008 that was redesigned with feedback from customers, including the *OOH* customer satisfaction survey results. The redesigned BLS Web site, which includes the *OOH* page, offers improved navigation as user-tested menus enable faster and more efficient browsing, and improved search capability by upgrading to a new search engine. These improvements will enhance *OOH* customer experience.

Additional Information: A copy of the quarterly news release can be found at http://www.foreseeresults.com/_downloads/acsicommentary/ACSI_EGov_Report_Q3_2008.pdf.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Excellent*.[24] BLS has instituted rigorous, systematic, and comprehensive controls to ensure that the data quality retains its *Excellent* rating. The data are highly relevant; the BLS executive team meets with program management on a quarterly basis to discuss progress toward meeting performance indicators. BLS also conducts its own program reviews and contracts for external reviews, as necessary. These assessments ensure that survey data are accurate, reliable, and released in a timely fashion; systems and procedures are documented adequately; program performance meets or exceeds standards; and pre-release data are kept confidential.

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

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

Performance Goal 07-1B (OJC)

Indicators, Targets and Results

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

Source(s): Job Corps Management Information System.

Legacy Data: Some indicators not shown for PY 2004. Complete indicators, targets and results for PY 2001-04 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 05-1.1B.

Note: Costs for this goal are net costs as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis. Costs for PY 2006 have been restated since publication of the FY 2007 Performance and Accountability Report to correct improper inclusion of $198 million in revenue and apply a more accurate means of splitting grant costs. Costs are not allocated to the indicator level for placement, credential and literacy/numeracy measures because program activities are not separable into categories associated with one or another.

Program Perspective and Logic

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

Job Corps' performance can be influenced by external factors such as local labor market conditions and national economic trends. In recent years, an increasingly knowledge-based labor market has challenged Job Corps to revise its training strategies. In response, Job Corps developed and has begun to implement its *New Vision*, an approach that focuses on applied academics by increasing the rigor and relevance of academic and career technical training; incorporating industry-based standards and certifications; reinforcing a standards-based curriculum approach; and providing a more comprehensive system of on-center and post-center support services. This approach is providing students with valuable credentials and competitive skills they need to pursue challenging careers – and the timing is critical since recent statistics indicate that national youth unemployment rates are rising. Performance of the Job Corps program is assessed using the Federal job training program common measures for youth – placement in employment or education, attainment of a degree or certificate, and literacy or numeracy gains – as indicators of student achievement in improving their long-term employability.

Analysis and Future Plans

Like many young people, Alison didn't recognize the value of education – until she came to Job Corps. With focus and hard work, Alison graduated from Job Corps in 2007, earning a high school diploma and a certificate in accounting. She currently works as a Federal civilian employee, processing national invoices and regional tort claims for Job Corps' National Office. Above, Alison consults with Margaret Carson, Division Chief, Budget and Facilities Support. Alison credits her Job Corps classroom and work-based learning experiences with helping her develop the organizational, communication, and data entry skills that prepared her for the position. Alison also recognizes opportunity when she sees it, which is why – thanks to her employee benefits package – she is currently enrolled in a business management class at Southeastern University. Alison now gives back by speaking with friends and other young people who are interested in Job Corps.
Photo credit: Peni Webster

Job Corps' performance was significantly below the desired outcomes for all three indicators. Placement of Job Corps graduates and former enrollees in employment, the military or post-secondary education mirrored the national employment picture and declined in PY 2007. The result of 73 percent is far below the 82 percent target but just one percentage point lower than the PY 2006 result. Job Corps attributes its National Certification Initiative, which increased emphasis and rigor for career technical training programs, for the impact on the PY 2007 certificate attainment rate; the result of 53 percent is four points lower than last year and 11 points below the target. Job Corps anticipates that the more stringent requirements for career technical training completion will continue to affect the results of the certificate attainment rate as all necessary support structures for the Certification Initiative – which would assist more students with successful completion of their training program – have not yet been fully implemented. This in turn will temporarily affect the placement rate, as a decreased graduation rate leads to a larger proportion of non-graduating former enrollees. Former enrollees traditionally have a lower placement rate than graduates because they have not attained the qualifications (educational or career technical training) that would make them more competitive in the labor market. Also, non-graduating former enrollees' placement window, the period during which placement assistance is offered and placement data are captured, is just 90 days, versus the six-month window for graduates. Job Corps expects PY 2008 performance indicator results to continue the downward trend, although changes are expected to be small – a few percentage points.

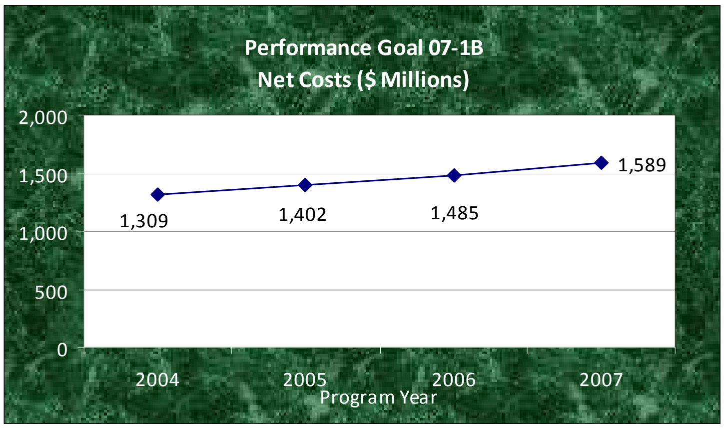
Literacy/numeracy gains were also lower than expected; the PY 2007 result of 53 percent was five percentage points short of the target and PY 2006 result of 58 percent. Literacy/numeracy gains may not recover, either, in part due to a continued adjustment from paper/pencil to the online version of the Test for Adult Basic Education – a diagnostic test used by Job Corps to determine skill levels and aptitudes. Finally, implementation of the *New Vision* focus on applied academics is expected to continue to impact students' learning gains.

To curb early departures, most often due to violations of Zero Tolerance policy against drugs and violence or to the inability of students to adjust to the residential nature of the program, Job Corps is continuing to explore the impact of initiatives designed to improve the program's results:

- Career Success Standards is a set of eight behavioral effectiveness standards for personal and workplace competencies that seem to be positively impacting center culture, address student retention and career preparation, and prepare students with the soft skills employers now demand of their employees;
- The Speakers, Tutors, Achievement, Retention and Success (STARS) initiative appears to be increasing students' academic achievement, career skills attainment, and retention in the program by providing motivational speakers, and highly qualified tutors and mentors to assist them with academics, career technical training and personal and social development; and

- Pre-employment Drug Testing Pilot identifies random samples of applicants who are screened for drugs prior to enrollment. Program research shows that testing positive on the initial drug test is a reliable predictor of students separating from the program due to Zero Tolerance infractions.

In addition, Job Corps is working to expand services to English Language Learners in an effort to increase successful outcomes for students across the country with limited English proficiency. Plans also include improving services to students with cognitive disabilities. Specifically, Job Corps has made periodic updates to its data collection system to improve tracking of students with disabilities. Upon the applicant's disclosure of a disability and subsequent request for accommodation, Outreach Admissions counselors seek guidance from both the Regional Disability Coordinator and qualified personnel on how to best accommodate the student's needs. During PY 2008, Job Corps will convert the part-time Regional Disability Coordinators to full-time.



Costs associated with this performance goal increased by seven percent from PY 2006-07. The following factors contributed to this increase: higher utility and heath care costs, salary increases and adjustments for academic and career technical training instructors, and additional unforeseen costs associated with expansion of the program to include a new Job Corps Center.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2007	*Adequate*	http://www.whitehouse.gov/omb/expectmore/summary/10002372.2007.html

FY 2008 Progress on PART Improvement Plan

- *Exploring opportunities to improve cost effectiveness and performance outcomes at the 28 non-DOL owned properties which are operated for Job Corps by the Departments of Agriculture and Interior.* The US Department of Agriculture (USDA) and DOL have a new Interagency Agreement with increased provisions for oversight of the program and financial management of the Job Corps Civilian Conservation Centers (CCC). The National Office has provided a number of Webinars, regional conferences and one-on-one technical assistance for all centers to assist them in improving program performance. The Job Corps Regional Directors have improved communications with the Forest Service National Headquarters staff to quickly identify and address programmatic issues. DOL is conducting an audit of USDA and DOI PY 2006 expense reporting and accounting procedures for center operating and construction funds.
- *Improving the tracking and reporting of Job Corps facility conditions and using the data to inform resource allocation decisions regarding improvements and maintenance***.** In an effort to support the goals and objectives of both the President's Real Property Asset Management Initiative and the Department's Asset Management Plan, Job Corps has implemented extensive improvements to the real property data systems. Improvements have included incorporating performance information (condition index, mission dependency, and utilization) into the decision-making process and developing a demolition project recommendation process. The property inventory has documented a steady improvement in facility condition. The Department, mainly as a result of these Job Corps activities, achieved green status on the Administration's Real Property scorecard in the 2nd quarter of FY 2008 and continues to achieve its goals.
- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs***.** Job Corps has contracted with a technical expert familiar with DOL's cost accounting systems to analyze both the merits and shortcomings of the method for measuring Job Corps' cost-effectiveness and efficiency; a draft report with revised efficiency measures that will capture the unique characteristics of the portfolio of Job Corps outcomes is expected by the end of 2008. In the meantime, Job Corps is working to improve efficiency results via energy reduction investment and commodity purchase, and fleet and telephone line reduction, and has already realized cost savings and cost avoidance of approximately $5 million annually.

"Performance Audit of the Cleveland Job Corps Center," September 2007 (Office of Inspector General)

Relevance: The Office of Inspector General (OIG), as part of its ongoing review of Job Corps Centers and their operators, conducted this audit to determine if the operator complied with laws, regulations and contract provisions in its reported performance measures and financial operations.

Findings and Recommendations:

- The Center operator did not 1) properly reconcile Public Vouchers submitted for payment with expenses reported on Financial Reports as required, 2) properly obtain consulting services, or 3) maintain a record of the services received.
- The OIG recommended that Job Corps develop an oversight process requiring contractors to reconcile differences between amounts recorded on Public Vouchers and reported expenses and that Job Corps train personnel monitoring Center financial activities.

Next Steps:

- Job Corps established a new Financial Management workgroup to review current policies and identify areas that need revision.
- The National Office of Job Corps conducts annual Program Managers' training which includes contract oversight and financial management training.
- The Chicago Regional Office has initiated the process to recover liquidated damages.

Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2007/26-07-003-01-370.pdf.

"Performance Audit of the Laredo Job Corps Center," September 2007 (OIG)

Relevance: The assigned audit of the Laredo Job Corps Center was conducted to determine if the operator complied with laws, regulations and contract provisions in its reported performance measures and financial operations.

Findings and Recommendations:

- Center officials did not reporting student attendance as required and as a result, overstated the On Board Strength (OBS); it was recommended that Job Corps recover liquidated damages for overstating OBS.
- The OIG also found that Center officials did not comply with Job Corps' admission requirements (background checks were not routinely performed).

Next Steps:

- The Dallas Regional Office has requested that the Laredo center operator reconcile bed check reports and rosters.
- The Dallas Regional Office has initiated the process to recover liquidated damages.
- The National Office of Job Corps issued a PRH Change Notice to provide guidance on conducting and documenting background checks.

Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2007/09-07-002-01-370.pdf.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[25] When the OIG cited insufficient management controls over performance data in 2004, DOL designed and implemented new data integrity procedures which require regional offices to utilize targeted samples (highlighting where error or manipulation may have occurred) for audit reviews conducted in conjunction with on-site assessments. When Regional Offices find that Center operators have not complied with contractual obligations, liquidated damages are identified and assessed. Since 2004, $585,397 in liquidated damages have been recovered. The Office of Job Corps is confident that the new data integrity strategy is producing more reliable student outcome data from Job Corps centers and career transition service providers.

To address *Ensuring the Effectiveness of the Job Corps Program* (see the Top Management Challenges section of Management's Discussion and Analysis), DOL is improving the way Regional Offices monitor the performance of contractors that operate 94 of its Job Corps centers. In FY 2007, a new process that included both a fiscal and a performance review was implemented. Over a one-year period all six Regional Offices received specialized training on monitoring contractor performance of financial management and cost reporting, data integrity, and asset management. The Departments of Interior and Agriculture operate the remaining 28 Job Corps centers via Interagency Agreements with DOL. In March 2008, a new Interagency Agreement was signed with USDA – which requires Agriculture to be more accountable for the funds transferred to them and allows DOL the flexibility it needs to operate the centers. In addition, effective July 1, 2008, the three centers formerly operated by the National Park Service were transferred to the USDA's Forest Service.

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

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

Performance Goal 07-1C (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		PY 2005 Goal Achieved	PY 2006 Goal Achieved	**PY 2007 Goal Achieved**
Percent of participants entering employment or enrolling in post-secondary education or advanced training/occupational skills training in the first quarter after exit	Target	baseline	60%	**61%**
	Result	57.8%	60%	**67%****
	*	Y	Y	Y
Percent of students who attain a GED, high school diploma or certificate by the end of the third quarter after exit	Target	baseline	40%	**45%**
	Result	36%	44%	**57%****
	*	Y	Y	Y
Percent of students who achieve literacy or numeracy gains of one Adult Basic Education (ABE) level (approximately equivalent to two grade levels)	Target	—	baseline	**baseline**
	Result	—	—	**31%****
Goal Net Cost (millions)		$1,017	$866	**$966**

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

Legacy Data: Some indicators not shown for PY 2001-04. Complete indicators, targets and results for PY 2001-04 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 05-1.1A.

Note: Net costs are defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis. Costs are not allocated to the indicator level for placement, credential and literacy/numeracy measures because program activities are not separable into categories associated with one or another. This goal was reported Substantially Achieved in the FY 2007 PAR based on estimated data.

Program Perspective and Logic

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

DOL collects data for three performance indicators, all Federal job training program common measures for youth that enable the program to describe and compare the outcomes of its core purposes to other education, employment and job training programs. The first measure, percent of youth participants who are in employment or enrolled in post-secondary education or training, indicates whether DOL is transitioning youth into the workforce or post-secondary education — a key to successful careers. The second, percent of participants who attain a diploma, GED, or certificate, is a proxy for the effectiveness of the program in preparing youth participants to compete in the 21st century economy. The third indicator measures literacy/numeracy gains by out-of-school youth participants who are deficient in basic skills. Progam Year 2007 is the first full year in which complete data on this measure is available for analysis. DOL will use the PY 2007 data as a baseline to establish targets for PY 2008.

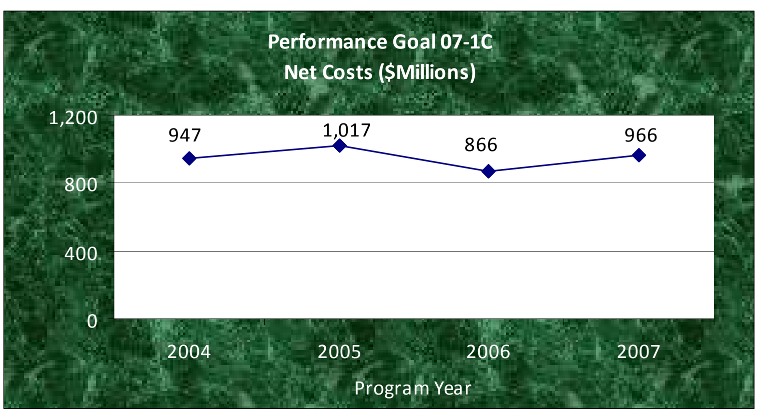
Analysis and Future Plans

The WIA Youth program achieved its performance goal in PY 2007. The program exceeded its placement in employment or education target by six percentage points and surpassed the degree or certificate attainment target by twelve percentage points. Both results represent improvement over PY 2006; they are noteworthy achievements in light of the program's increasing services to the neediest youth, including out-of-school youth – populations that are difficult to serve and historically have low performance outcomes.

At 17, Maira came to the Wisconsin's Waukesha County Workforce Development Center in 2003 for help with school. She was behind in class and getting poor grades – due in part to major family difficulties. After enrollment in the WIA Youth program, Maira earned a High School Equivalency Diploma (HSED) and prepared for college. A summer work experience with the Waukesha Police Department convinced Maira to pursue a career in police science. While attending Waukesha County Technical College, Maira gave birth to a baby girl (Isabella) and still completed that semester with good grades. In May 2007, Maira graduated with a criminal justice degree and was selected to attend the Recruit Academy at Milwaukee Area Technical College for a 13 week training program. After completing the training program, she accepted an officer position with the Fond du Lac Police Department with a starting wage of $19.00/hour. Photo credit: DOL/ETA

The Department will continue to implement strategies that recognize out-of-school and at-risk youth as an important part of the new workforce. WIA youth programs connect these youth with quality secondary and post-secondary educational opportunities, in addition to high-growth and other employment opportunities.

In 2006, DOL formed the Shared Youth Vision (SYV) Federal Partnership with the Departments of Health and Human Services, Education, Justice, Housing and Urban Development and Transportation, plus the Social Security Administration and the Corporation for National and Community Service. The Partnership assists States in coordinating resources and program delivery strategies to achieve positive outcomes for the neediest youth. DOL and the SYV Federal Partnership have continued to work with the 16 SYV Pilot States that were awarded funds in 2006 to develop and implement projects that integrate services for specific populations of the neediest youth. Through a peer-to-peer mentoring initiative, the Pilot States are sharing knowledge and best practices on serving the neediest youth with 12 non-pilot States.



Costs associated with this performance goal rose by seven percent from PY 2004-05, fell 15 percent between PY 2005-06, then rose again by 12 percent from PY 2006-07, reflecting fluctuation in the timing of expenditures; States have three years to expend funds. Annual variations in costs are also attributable to fluctuations in the number of participants served. Costs are not allocated at the indicator level, as funds provided to the States support all the measured outcomes and many of the youth who exit the program experience all three (placement, credentials and literacy/numeracy gains).

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2008	*Adequate*	http://www.whitehouse.gov/omb/expectmore/summary/10000342.2008.html

FY 2008 Progress on PART Improvement Plan
• *Strengthen accountability for employment outcomes and skill attainment by adopting common performance measures and targets to allow for comparisons with other Federal job training programs.* DOL developed a preliminary estimate in

PY 2007 for the literacy/numeracy measure, the last of the common measures to be fully implemented. Based on this estimate, DOL will establish targets for PY 2008.

- *Conducting an evaluation to determine WIA services' impact on employment and earnings outcomes for participants.* In June 2008, DOL awarded a contract to conduct a rigorous, long-term impact evaluation of WIA programs.
- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment program.* A final report of the efficiency measure study with recommendations for appropriate outcome-based efficiency measures for DOL's employment and training programs will be completed by December 2008. The selected measure or measures will be implemented during Program Year 2009.

"Disconnected Youth: Federal Action Could Address Some of the Challenges Faced by Local Programs That Reconnect Youth to Education and Employment," February 2008 (Government Accountability Office)

Relevance: The Government Accountability Office (GAO) examined the challenges that 39 youth programs face in serving youth, who have disconnected from education and employment, and found that the structure of workforce investment board contracts with local service providers often hinders service to the youth most in need of assistance.

Findings and Recommendations:

- GAO found that workforce investment board contracts with local service providers often require the providers to achieve performance goals for participants in one-year time frames, which is very challenging for programs serving the most at-risk youth. Since funding in subsequent years is often contingent on meeting performance goals, the contract structure de-incentivizes service to these youth.
- GAO recommended that DOL work with States and workforce investment boards to ensure that they have the information and guidance needed to develop and implement contracts that allow local programs to serve the youth most in need of assistance and meet performance goals.

Next Steps:

- DOL convened WIA state, local, and youth service providers in late fall of 2008 to get a better understanding of contracting issues and to gather local examples of contracts that have the components and the flexibility to successfully serve the youth most in need.
- Using input from the discussions with service providers, DOL will issue guidance to the workforce development system by the end of 2008 that will provide specific examples of ways to develop contracts with local service providers that allow them to successfully serve youth at varying skill levels.

Additional Information: The report available at http://www.gao.gov/new.items/d08313.pdf.

"Workforce Development: Community Colleges and One-Stop Centers Collaborate to Meet 21st Century Workforce Needs," May 2008 (GAO)

Information on this study is provided in the corresponding table for Performance Goal 07-2A.

Data Quality and Top Management Challenges

The data quality score for this performance goal also applies to Performance Goals 2A and 2B, which rely on the same data collection system to determine employment outcomes for WIA program participants. Data quality for these performance goals are rated *Very Good*.[26] Data verification remains an area for improvement, and extensive efforts have been directed toward improving data quality through the use of ETA's data validation system and monitoring at both the national and regional levels (see also *Improving Performance Accountability of Grants* in the Top Management Challenges section of Management's Discussion and Analysis). In particular, the Department provided technical assistance to States on the integration of quality controls into data collection and reporting systems, conducted several regional training sessions and webinars to address technical and policy questions about performance reporting, and issued revised guidance in October 2007 on WIA incentives and sanctions that included data validation results as one of the criteria for determining eligibility for WIA incentive awards. In addition, in PY 2006, revisions to the draft Core Monitoring Guide were made to better address data validation concerns. The Core Monitoring Guide is continually revised to address new issues that arise during site visits. Site visits are conducted to ensure compliance with reporting standards.

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

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

eta

Performance Goal 08-1D (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2005 Goal Achieved	FY 2006 Goal Achieved	FY 2007 Goal Achieved	**FY 2008 Goal Not Achieved**
Percent of those employed nine months after registration as an apprentice	Target	Baseline	78%	79%	**84%**
	Result	78%	82%	83%	**84%**
	*	Y	Y	Y	**Y**
Average hourly wage gain for tracked entrants employed in the first quarter after registration and still employed nine months later	Target	Baseline	$1.26	$1.33	**$1.51**
	Result	$1.26	$1.32	$1.50	**$0.61**
	*	Y	Y	Y	**N**
Goal Net Cost (millions)		$23	$25	$24	**$25**

Sources: Registered Apprenticeship Partners Information Data System (RAPIDS) and Registered Apprenticeship Information System (RAIS).
Legacy Data: One indicator for FY 2005 was dropped; it is not included in this table. 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 06-1.1A.
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. "Tracked entrants" is defined as the cohort of apprentices registered and entered into RAPIDS during a given reporting period. The 25 States that have federally registered apprenticeship programs enter data on individuals into the system. Costs are not allocated to the indicator level for retention and earnings measures because program activities are not separable into categories associated with one or the other.

Program Perspective and Logic

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

The Department promotes the apprenticeship training system to potential sponsors and participants and registers and monitors these partners' apprenticeship programs, in some cases via State Apprenticeship Agencies (SAAs) – which are delegated this authority by the Secretary of Labor. SAA's certify that standards are met for quality, fairness, and opportunity, and that apprenticeship programs incorporate appropriately supervised on-the-job learning and occupation-related technical instruction.

As a system based on voluntary industry participation, apprenticeship program performance is directly impacted by external factors such as the wage rates determined by local apprenticeship sponsors and by the demand for skilled and technical labor in local markets. Two performance indicators, "apprentices employed nine months after registration" and "average hourly wage gain for tracked entrants," are used to indicate progress towards program completion and the value of skills obtained.

Analysis and Future Plans

The Apprenticeship system did not achieve its performance goal for FY 2008 since the wage gain target was not reached. The retention result continues a three-year trend of improvement since the baseline was established in FY 2005. While the 61-cent average hourly wage gain (from $15.27 to $15.87) was far below the target of $1.51, it translates to an annual increase of $1,269. The decline in construction associated with a deteriorating housing market had a significant impact on the number of registered apprentices. DOL expects that even fewer apprentices will be registered in the construction industry in FY 2009 and that this will continue to exert downward pressure on retention and average earnings measures of Apprenticeship program performance. Occupational demands are projected to continue shifting toward high growth industries. For example, United Parcel Service recently registered a large number of apprentice truck drivers with higher-than-average starting wages. These apprenticeships also feature above average annual increases that will help offset the expected impact of continued reductions in construction and related industries.

Phillina was on public assistance and struggling to raise her child. She had few skills to secure a livable-wage job when she signed up for construction-readiness training after a presentation by a recruiter from the Women in Apprenticeship and Nontraditional Occupations program, which is co-sponsored by the Office of Apprenticeship and the Women's Bureau. Phillina knew she could do the work, but needed direction and help. She excelled in every class and the hard physical work gave her a strong sense of accomplishment. Phillina participated in the cement mason apprenticeship program, which requires applicants to complete an examination that includes pushing a wheelbarrow with a 100 pound load. She stayed after class every day to practice, passed the test and graduated first in her class of 75 candidates. Phillina is now working full-time – earning over $16 per hour plus benefits – and looking for an apartment to move out of transitional housing. With the assistance of the Office of Apprenticeship and her dedication and perseverance, Phillina is well on her way to providing a better life for herself and her child. Photo credit: Johanna Chestnutt

To improve performance, the Department is seeking changes to existing apprenticeship standards that would measure apprentices' attainment of certain skills and competencies in addition to using the traditional, time-based approach. Also, DOL will continue providing technical assistance to Women in Apprenticeship and Non-Traditional Occupations (WANTO) grantees, a new consortium that is training over 200 women apprentices.

In order to measure outcomes after apprentices have completed the program, the Office of Apprenticeship is converting to the common measures and will baseline its performance indicators in FY 2009. Therefore, the Apprenticeship program will not appear in the FY 2009 Annual Performance and Accountability Report, but will return in the FY 2010 Annual Performance and Accountability Report.

Two evaluations will be completed in FY 2009. *Evaluation of Apprenticeship* involves surveys of registered apprenticeship sponsors and visits to five States to determine sponsor views and the costs and benefits of apprenticeship, types of data maintained, linkages with the One-Stop service delivery system, and administration of the apprenticeship system. *Retrospective Look at Apprenticeship* includes a review of modernization policies that the Office of Apprenticeship has implemented and examines their implications on the future of the program.

Costs associated with this performance goal remained fairly constant from FY 2005-08. Costs are not allocated to the performance indicator level, as funding supports both measured outcomes for apprentices served by the federally administered programs.

PART, Program Evaluations and Audits

PART Year	Rating	
2005	*Results Not Demonstrated:* Reflecting lack of data on the common measures	PART Findings and Improvement Plan: http://www.whitehouse.gov/omb/expectmore/summary/10003901.2005.html

FY 2008 Progress on PART Improvement Plan

- *Implementing the common measures for earnings and retention and establishing an Internet-based apprenticeship registration system to efficiently obtain comprehensive performance data.* The Registered Apprenticeship Partners Information Data System (RAPIDS) debuted in November 2007. Phase 2 of RAPIDS is scheduled for completion in FY 2009 and will allow SAAs and sponsors to upload data electronically. Final proposed revisions to the regulations of the National Apprenticeship Act implementing the common measures were published on October 29, 2008. Interim common performance measure data are being gathered through an agreement with the State of Kansas.
- *Evaluating and reporting participants' employment and earnings after they leave the program to compare apprenticeship program outcomes with those of other training models.* In September 2008, the Office of Apprenticeship received initial data for apprentices who completed their apprenticeship training. The Office of Apprenticeship will analyze these data and develop performance targets during FY 2009.
- *Addressing underrepresentation of women in apprenticeship programs through a reinvigorated Equal Employment Opportunity review process and tracking and reporting performance.* Three additional WANTO grants were awarded in FY 2008 to recruit, train, employ, and retain women in registered apprenticeship programs in the construction industry. Progress reports from the three FY 2007 WANTO grant recipients were evaluated to determine the success of grantees in achieving the goal of employing women in non-traditional apprenticeship occupations, and best practices that can be shared with the apprenticeship community.
- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs.* A final report of the efficiency measure study with recommendations for appropriate outcome-based efficiency measures for DOL's employment and training programs will be completed by December 2008. The selected measure or measures will be implemented in Fiscal Year 2010.

Data Quality and Top Management Challenges

Data quality for the Apprenticeship program is rated *Fair*.[27] All Federally-administered programs (in 25 States) participate in RAPIDS. RAPIDS established greater quality controls to ensure timely, complete, and valid data are collected from the program sponsors that utilize the system. Verification testing of RAPIDS was completed in the 3rd Quarter of FY 2008 with no major findings. Additional testing is scheduled for completion at the end of FY 2009. Revisions to the regulations to the National Apprenticeship Act that address the quality, flexibility, evaluation and performance data requirements of Apprenticeship programs were published on October 29, 2008.

As noted in the Analysis and Future Plans section, the Apprenticeship program will be converting to the common measures in FY 2009. By March 2009, the Office of Apprenticeship will have three quarters (Quarter 4, FY 2006; and Quarters 1 and 2, FY 2007) of data for the common measures to develop baseline performance targets. The transition to common measures is scheduled to coincide with the availability of unemployment insurance wage record data from the Wage Record Interchange System, which will be matched against apprenticeship data to determine performance outcomes. The methodology for calculating the common performance measures will further mirror and align apprenticeship results with those used for other DOL employment and training programs.

RAPIDS implementation also addresses *Improve Apprenticeship Data Quality* (see the Top Management Challenges section of Management's Discussion and Analysis) by developing a cost-effective strategy for collection of data from programs in 25 States and three territories that are not administered by the Department. DOL's oversight of the Federally-administered State programs to ensure compliance with Federal guidelines and regulations continues, as recommended by the Government Accountability Office (GAO-05-886).

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

Improve employment outcomes for veterans who receive One-Stop Career Center services and Homeless Veterans' Reintegration Program services.

Performance Goal 07-1E (VETS)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		PY 2003 Goal Achieved	PY 2004 Goal Achieved	PY 2005 Goal Achieved	PY 2006 Goal Not Achieved	**PY 2007 Goal Achieved**
Percent of Veteran participants employed in the first quarter after exit	Target	58%	58%	59%	60%	**61%**
	Result	58%	60%	62%	60%	**61%****
	*	Y	Y	Y	Y	**Y**
Percent of Veteran participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	72%	80%	81%	81%	**80%**
	Result	79%	81%	81%	79%	**81%****
	*	Y	Y	Y	N	**Y**
	Cost	—	—	$89	$91	**$93**
Percent of Disabled Veteran participants employed in the first quarter after exit	Target	—	54%	55%	55%	**56%**
	Result	—	56%	57%	55%	**57%****
	*	—	Y	Y	Y	**Y**
Percent of Disabled Veteran participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	—	78%	79%	79%	**79%**
	Result	—	79%	80%	78%	**80%****
	*	—	Y	Y	N	**Y**
	Cost	—	—	$89	$91	**$95**
Entered employment rate for homeless veterans participating in the HVRP	Target	54.5%	60%	61%	68%	**65.5%**
	Result	61%	65%	68%	65%	—
	*	Y	Y	Y	N	—
Employment retention rate after six months for homeless veteran HVRP participants	Target	—	baseline	58	58.5%	**64.5%**
	Result	—	58%	67%	64%	—
	*	—	Y	Y	Y	—
	Cost	—	—	$30	$30	**$31**
Goal Net Cost (millions)		—	$209	$212	$211	**$221**

Source(s): State Workforce Agency administrative reports, State unemployment insurance (UI) wage records and homeless veteran grantee reports.

Legacy Data: Some indicators not shown for FY 2003-06. 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 05-1.1C.

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. Costs are not allocated to the indicator level for employment and retention measures because program activities are not separable into categories associated with one or another of them. However, this goal includes two programs with three distinct target populations. Costs for each group (all veterans, disabled and homeless veterans) are provided in the cost cell opposite the retention indicators, where available. HVRP data for PY 2007 are not available because the reporting system was shut down for a mandatory system redesign.

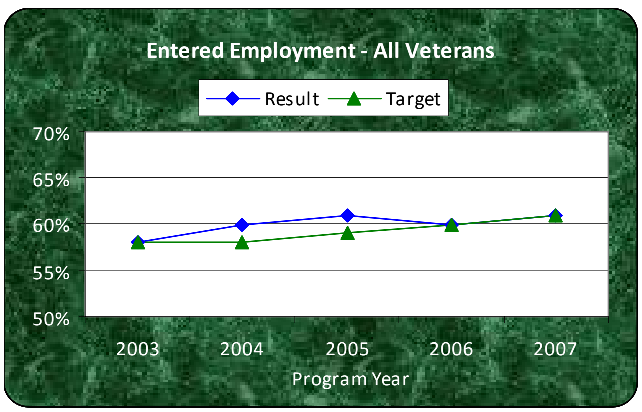
Program Perspective and Logic

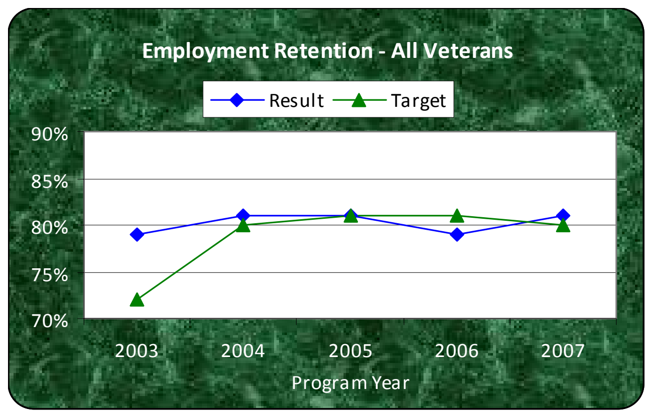
Jobs for Veterans State grants support the delivery of employment services needed by veterans and transitioning service members to promote their success in the civilian workforce. These grants support over 2,100 disabled veterans' outreach specialists and local veterans' employment representatives stationed at the nationwide network of nearly 3,000 comprehensive and affiliate One-Stop Career Centers. These staff serve as experts on workforce resources available for veterans. The local representatives emphasize the provision of services for recently separated veterans and handle outreach to employers, while the outreach specialists focus their efforts on intensive services for disabled veterans and other veterans with significant barriers to employment. The Homeless Veterans' Reintegration Program (HVRP) is a much smaller competitive grant program emphasizing stable employment as the critical factor in mitigating homelessness among veterans. Program participants are served by community-based grantees that provide pre-employment services, establish linkages with service providers funded by other Federal agencies, and rely on the specialists to assist them in finding employment once they are job-ready.

One-Stop Career Centers serve younger, recently separated veterans who have limited civilian work experience and older veterans with civilian experience who have become unemployed. HVRP grantees serve homeless veterans who have minimal attachment to the workforce. DOL applies the Federal job training program common measure definitions of entry to employment and retention in employment as the critical indicators of successful outcomes for all veterans and all disabled veterans who receive One-Stop services. During PY 2007, VETS issued guidance adding the average earnings indicator for all veterans and all disabled veterans who receive One-Stop services, and HVRP completed the transition to common measure definitions of its outcome measures. In setting performance targets, VETS seeks to improve service to veterans at a rate that is ambitious yet attainable.

Analysis and Future Plans

Results for HVRP were not available in time for inclusion in this report; they will be included in future reports. Therefore, achievement of this goal for PY 2007 is based on the four indicators for One-Stop services. Based on those results, this goal was achieved, as the targets were reached for all four indicators. The entered employment rate for all veterans equals the target, while the results for the other three indicators exceed the targets by one percentage point. Results in the charts below are for the first two indicators, which include disabled veterans.





The positive results for these indicators appear to be attributable primarily to measurement effects. In fact, the rebound of approximately two percentage points in the results for these indicators for the current year is nearly identical to the slump of approximately two percentage points experienced for these same indicators the prior year. This is believed to reflect the disruption in interstate sharing of data on employment outcomes during PY 2006 that was resolved during PY 2007.

The anticipated publication during PY 2008 of final regulations on priority of service for veterans is likely to enhance the delivery of veterans' employment services, leading to an improvement in employment outcomes for all veterans. In addition, to improve the outcomes of disabled veterans, VETS continues to expand the Recovery and Employment Assistance Lifelines program by assigning program outreach staff at major medical installations throughout the country. This program, which is complemented by efforts of the Departments of Defense and Veterans Affairs, provides individualized job training, counseling and re-employment services to seriously injured or wounded veterans of Operation Iraqi Freedom, Operation Enduring Freedom and other recent conflicts. Finally, VETS and the Department of Defense will be implementing a joint initiative during PY 2008 to increase the rate of participation by transitioning service members in Transition Assistance Program (TAP) employment workshops. That initiative is expected to result in an increase the number of veterans accessing One-Stop Career Centers and experiencing positive employment outcomes.

Net costs for this performance goal rose by ten percent from PY 2004-07 due to increased appropriations. The trend is uneven due to grantees' flexibility in the timing of expenditures.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan: http://www.whitehouse.gov/omb/expectmore/summary/10003907.2005.html
2005 (State Grants)	*Moderately Effective*	

FY 2008 Progress on PART Improvement Plan

- *Setting aggressive targets for performance outcomes to improve services to veterans.* Guidance issued during 2008 called for negotiation of aggressive targets on the basis of consolidated outcomes across the two veterans' employment specialties, including the negotiation of weighted entry to employment targets for all veterans.
- *Implementing recommendations from follow-up evaluation to assess veteran outcomes.* The contractor responsible for this project has recruited a sample of States to participate in a follow-up study of those veterans whose measured outcomes were not successful. The final report is expected in PY 2008.
- *Adding the Average Earnings measure to performance measures for All Veterans and for Disabled Veterans.* Guidance issued during 2008 called for the negotiation of Average Earnings targets for All Veterans and for Disabled Veterans.

PART Year	Rating	PART Findings and Improvement Plan: http://www.whitehouse.gov/omb/expectmore/summary/10003912.2006.html
2006 (HVRP)	*Moderately Effective*	

FY 2008 Progress on PART Improvement Plan

- *Conducting a rigorous evaluation, to begin in 2007*. Phase I of an independent evaluation to assess the impact of the Jobs for Veterans Act and the Workforce Investment Act on veterans' employment services and outcomes was completed last August. Phase II, which will analyze causal factors and recommend service improvements based on participant surveys, will be completed in PY 2008.
- *Continuing to improve cost effectiveness and reducing cost disparities across grantees through a competitive grantee selection process and monitoring*. During PY 2007, HVRP continued to re-compete all grants every three years; reserve a number of awards for grantees without prior HVRP experience; include cost-effectiveness as a criterion for grant award; and monitor grantees annually with respect to their actual costs per placement.
- *Strengthening accountability by instituting common performance measures that will allow comparison between various job training programs. Measures will track employment, retention and earnings.* During PY 2007, HVRP continued its intensive effort to build capacity in common measures across the network of grantees by conducting workshops for all participants at the program's annual conference, and planning field follow-up efforts.

Data Quality and Top Management Challenges

Data for this performance goal, rated *Good* by the Department's criteria,[28] are tracked using two systems, one external to VETS. The four indicators addressing the outcomes of veterans and disabled veterans served by One-Stop Career Centers rely upon the reporting system for One-Stop Career Centers (Performance Goal 07-2C). Therefore, in general, the data quality assessment for that goal (*Very Good*) also applies to these indicators. The two indicators addressing outcomes for homeless veterans served by HVRP rely on the Veterans' Employment and Training Operations and Program Activity Report (VOPAR). VOPAR was out of service for most of PY 2007 pending redesign of the system that is expected to be completed in PY 2008. This affects the completeness criterion in the DOL data quality rating system, which in combination with the verifiability criterion not met for the other four indicators leads to a *Good* overall assessment for this goal's data. VETS issued revised guidance during PY 2007 that updated and improved several aspects of the agency's performance measurement systems. In addition, intensive workshops on common measures were conducted at the annual conference attended by all grantees' representatives, with further field follow-up planned. VETS has no DOL top management challenges.

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

Strategic Goal 2: *A Competitive Workforce*

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

To succeed in the 21st Century, America must be prepared to adapt to changes in the global economy – and that success will largely depend on a workforce that meets employers' needs for new and skilled workers. Through partnerships with State and local workforce agencies, business and industry, education and training providers, faith-based and community organizations, and economic development agencies, DOL makes strategic investments in job training and increases accessibility and quality of information to help match workers with employers.

DOL agencies and offices supporting this goal are:

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

Fostering a competitive workforce means helping American workers acquire the necessary tools and skills to succeed. Increasingly, advanced skills are required to meet the rapidly evolving workforce needs of employers. Customized training and assistance to workers – including those with unique needs such as dislocated workers, individuals with disabilities, and veterans – improve their chances to obtain better paying jobs, to keep those jobs and to advance their careers.

DOL serves America's workers and employers by creating partnerships between the workforce system and business. New approaches are being applied to help business and industry better access the services of the state and local workforce investment system and to educate the public and the workforce system about the jobs in demand with promising career paths. To complement these services, the Foreign Labor Certification program assists employers whose needs cannot be supplied locally.

A competitive economic environment also demands a regulatory structure in which benefits of regulations exceed their costs. DOL conducts periodic reviews to determine if regulations have or will have a significant economic impact. These reviews examine the regulations' compliance costs and whether the regulatory burdens of all employers, large and small, are reduced. In today's economy, the well-being of American workers is increasingly tied to international stability, which is in part

Sasha was pregnant for the first time at 12 and abusing drugs by 13; she lived with substance abuse as a driving force for decades. With ten children to care for between the ages of 32 and six, Sasha left prison knowing that things could not continue as before. In addition to working the 12 steps of recovery as treatment for her addiction, Sasha sought out courses in anger management and parenting and requested assistance with housing. Project REACH, a collaborative effort between One-Stop Career Centers and faith-based and community organizations, was able to place her in a supportive home for women until she was employed. Sasha found a job doing what she loves best: cleaning. One day she was vigorously cleaning outdoor windows at the women's home. A business owner happened by, saw Sasha working hard, and called later to ask the coordinator of the home to tell Sasha to stop by his diner if she needed employment. Sasha was hired on the spot – her first job ever! She has been working there for six months now.
Photo credit: DOL/ETA

a function of broad-based economic prosperity. DOL-supported international technical assistance projects focus on raising living standards through workplace-related interventions, supporting the expansion of free and fair trade, eliminating exploitive child labor, and promoting the basic rights of workers.

Each day for eight and a half years, Melissa worked tirelessly as a sewing machine operator in Harrodsburg, Kentucky. When her company downsized and she was laid-off, she applied for unemployment benefits and learned she was eligible for additional benefits and services through the Trade Adjustment Assistance program. With the assistance of counseling and assessments, Melissa set her sights on a high-demand career in the healthcare field. Through hard work and dedication, she earned her Associates degree in Medical Information Technology from Bluegrass Community and Technical College on May 3, 2008. She is now employed full-time with a regional medical center, and making more than in her previous job. She enjoys her work and the people she works with, and says she is extremely grateful for this opportunity.
Photo credit: DOL/ETA

Here are a few highlights of FY 2008 performance:

For Workers

- Entered employment rates rose for Employment Service participants but fell for those served by the WIA Adult and Dislocated Worker programs and Trade Adjustment Assistance (TAA).[29] The Employment Service results show the system provided employment assistance and/or workforce and labor market information to nearly 16 million individuals.
- Retention in employment improved for WIA Adult, Employment Service, and TAA program participants but fell slightly for the WIA Dislocated Worker program.
- Average earnings rose for participants in the WIA Adult, WIA Dislocated Worker, Employment Service, and TAA programs – with three of the programs exceeding their targets by a thousand or nearly a thousand dollars.
- Nearly 70 percent of businesses participating in the Women's Bureau Flex-Options program – 3.5 percent more than in FY 2007 – created or enhanced a flexible workplace practice such as telecommuting, job sharing, and compressed work week schedules.

For Employers

- Ninety-four percent of permanent foreign labor certification applications were processed within six months – up from 74 percent last year.
- Timeliness for all three temporary foreign labor programs also increased. For example, the H-1B Specialty Occupations Program for highly skilled professionals processed 100 percent of applications within the statutory seven-day timeframe.

For the International Community

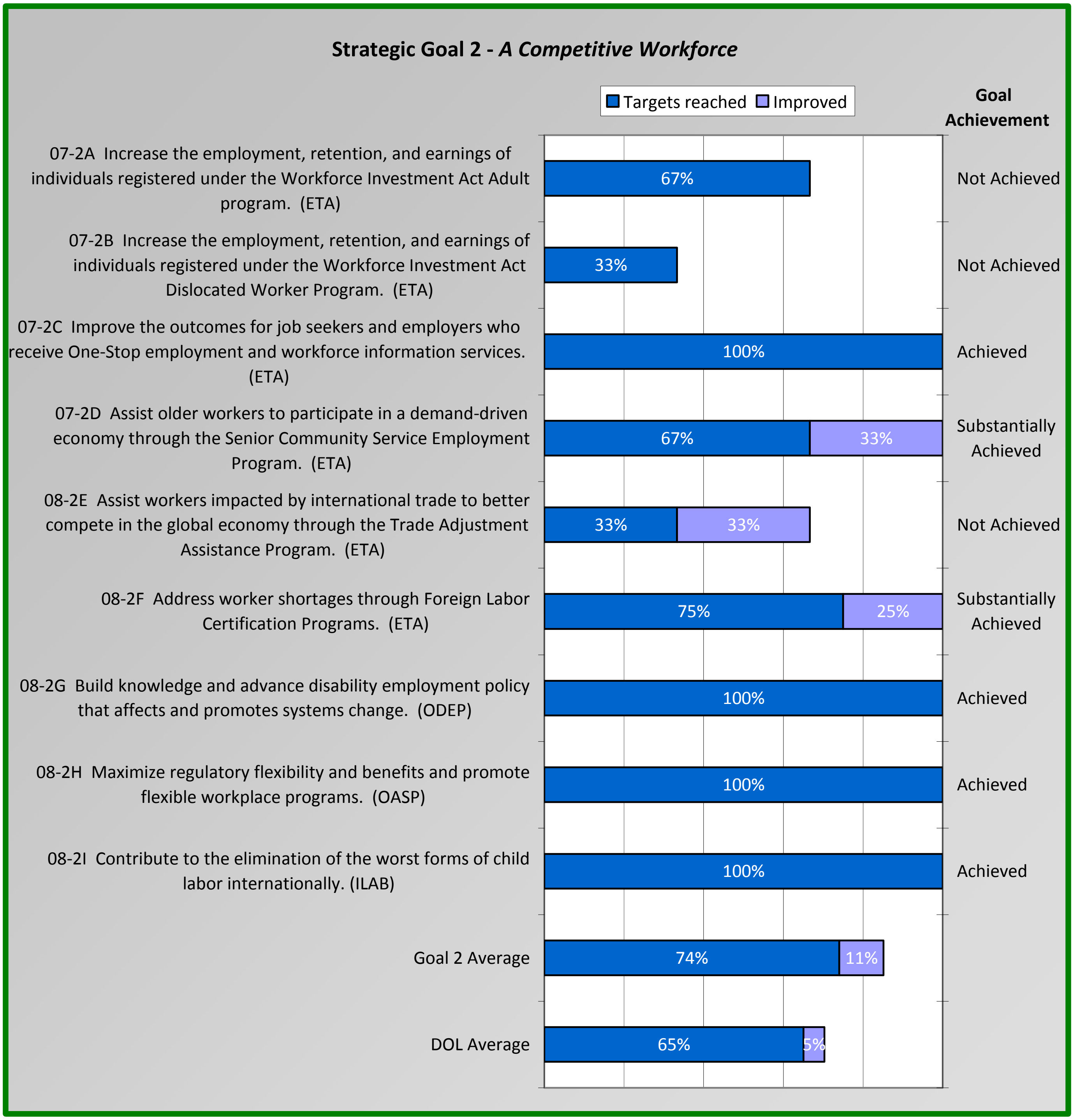
- DOL-supported projects withdrew or prevented 196,312 children from exploitive labor by providing education and/or training opportunities. This brings to almost 1.3 million the total number of children rescued from exploitive labor around the world through DOL assistance.
- Through technical support and outreach from DOL-funded projects, 44 countries increased their capacity to eliminate the worst forms of child labor – 11 more countries than the target of 33.

For more information, please see the Performance Goal narratives.

The chart below presents FY 2008 achievements as measured by performance goals and indicators. The performance goal number, goal statement, and responsible agency appear on the left axis, the total percentage of

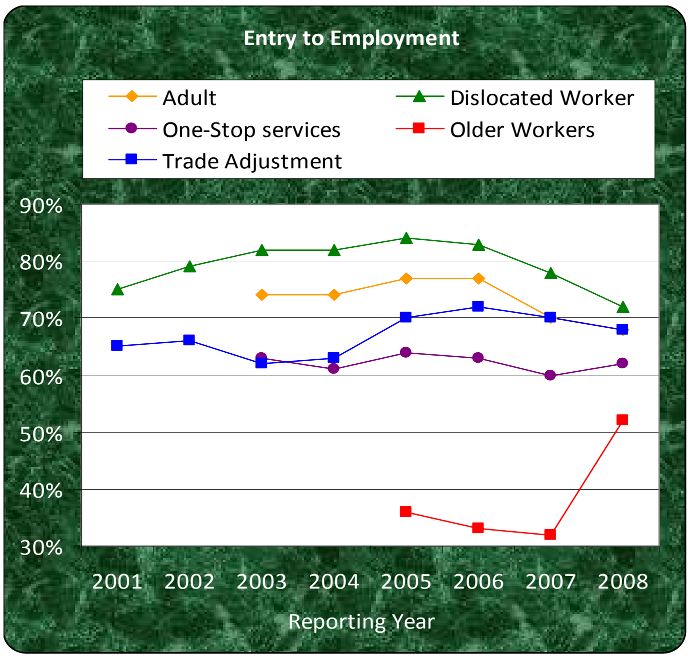
[29] These results – plus the retention results summarized in the next bullet – are displayed in charts on the second page following this one.

indicator targets reached or improved is indicated in the horizontal bars, and the goal result is on the right axis. Corresponding strategic goal and DOL-wide averages are presented at the bottom of the chart. If the goal is achieved, the bar will run all the way across because, by definition, all indicator targets were reached. If the goal is substantially achieved, the total can range from 80 percent to 100 percent and includes indicators for which the target was not reached, but results improved over the previous year.



DOL achieved or substantially achieved six of nine performance goals (67 percent) in Strategic Goal 2, which is above the Department's average of 50 percent. The WIA Adult program goal was not achieved, but two of the three Federal job training program common measure[30] targets were reached. The WIA Dislocated Worker goal was not achieved, either, missing the entered employment and retention targets but reaching the average earnings target. All three targets for the One-Stop employment and workforce information services were reached (goal achieved). The Senior Community Service Employment Program substantially achieved its goal by reaching its employment and retention targets and improving upon the FY 2007 result for average earnings. The TAA program, which did not achieve its goal, reached the average earnings target, missed on entered employment, improved retention but did not reach the target. The Foreign Labor Certification program substantially achieved its goal by reaching three targets and improving results for the fourth indicator. ODEP, the Office of the Assistant Secretary for Policy and ILAB achieved their goals by reaching all FY 2008 targets.

Five of the ten performance goals in Strategic Goal 2 are for employment and training programs whose results are measured by entered employment rate (percent of participants who obtain jobs subsequent to receipt of services) and by employment retention rate (percent of those who obtained jobs who are still employed six months later). The charts below indicate these programs' current and previous year results.[31] Earnings results are not included because the programs that measure earnings used different indicators prior to this year. Significant differences in results between programs are generally explained by differences in types of services offered and populations served.



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

[31] Results for the Apprenticeship program (Performance Goal 08-1D in Strategic Goal 1) are included in the retention chart. That program does not measure entered employment because apprentices are by definition already employed.

The following table provides net costs for all performance goals and indicators associated with this strategic goal.[32] Those with labels that begin with "07" operate on a Program Year (PY) basis, and are reporting on the period from July 1, 2007 to June 30, 2008 due to the forward-funding authorized in the Workforce Investment Act of 1998 (WIA).

Goal or Indicator	Net Costs ($Millions)[33]		
	FY 2006 PY 2005	FY 2007 PY 2006	FY 2008 PY 2007
Strategic Goal 2: *A Competitive Workforce*[34]	**$5,064**	**$5,060**	**$4,830**
Performance Goal 07-2A (WIA Adult) Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act (WIA) Adult program.	912	896	844
Percent of participants employed in the first quarter after exit	*912*	*896*	*844*
Percent of those employed in the first quarter after exit still employed in the second and third quarters after exit			
Average earnings in the second and third quarters after exit			
Performance Goal 07-2B (WIA Dislocated Worker) Increase the employment, retention, and earnings replacement of individuals registered under the WIA Dislocated Worker program.	1,543	1,409	1,307
Percent of participants employed in the first quarter after exit	*1,543*	*1,409*	*1,307*
Percent of those employed in the first quarter after program exit still employed in the second and third quarters after exit			
Average earnings in the second and third quarters after exit			
Performance Goal 07-2C (One-Stop Employment and Workforce Information Services) Improve outcomes for job seekers and employers who receive One-Stop employment and workforce information services.	884	749	732
Percent of participants employed in the first quarter after exit	*884*	*749*	*732*
Percent of those employed in the first quarter after exit still employed in the second and third quarters after exit			
Average earnings in the second and third quarters after exit			
Performance Goal 07-2D (Senior Community Service Employment Program) Assist older workers to participate in a demand-driven economy through the Senior Community Service Employment Program.	432	444	479
Percent of participants employed in the first quarter after exit	*432*	*444*	*479*
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit			
Average earnings in the second and third quarters after exit			

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

[33] Net cost as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis.

[34] Costs associated with Performance Goal 07-2H (OASP) are included in costs allocated to other performance goals.

Goal or Indicator	Net Costs ($Millions)[33]		
	FY 2006 PY 2005	FY 2007 PY 2006	FY 2008 PY 2007
Performance Goal 08-2E (Trade Adjustment Assistance) Assist workers impacted by international trade to better compete in the global economy through the Trade Adjustment Assistance Program.	700	805	756
Percent of participants employed in the first quarter after exit	*700*	*805*	*756*
Percent of participants employed in first quarter after exit still employed in the second and third quarters after exit			
Average earnings in the second and third quarters after exit			
Performance Goal 08-2F (Foreign Labor Certification) Address worker shortages through the Foreign Labor Certification Program.	46	63	40
Percent of H-1B applications processed within seven days of the filing date for which no prevailing wage issues are identified	–	–	–
Percent of employer applications for permanent labor certification under the streamlined system that are resolved within six months of filing	–	–	–
Percent of accepted H-2A applications with no pending State actions processed within 15 days of receipt and 30 days from the date of need	–	–	–
Percent of H-2B applications processed within 60 days of receipt	–	–	–
Dollars not associated with indicators	*46*	*63*	*40*
Performance Goal 08-2G (ODEP) Build knowledge and advance disability employment policy that affects and promotes systems change.	50	34	27
Number of policy-related documents	*50*	*34*	*27*
Number of formal agreements			
Number of effective practices			
Performance Goal 08-2I (ILAB) Contribute to the elimination of the worst forms of child labor internationally.	95	101	79
Number of children prevented or withdrawn from child labor and provided education and/or training opportunities as a result of DOL-funded child labor elimination projects	*95*	*101*	*79*
Number of countries with increased capacities to address child labor as a result of DOL-funded child labor elimination projects			
Other (Indian and Native American Adult Programs, National Farmworker Jobs Program, Work Incentive Grants, Transition Assistance Program, Pilots, Demonstrations, Research & Evaluations, Community-Based Job Training Grants, H-1B Technical Skills Training, National Electronic Tools and other ILAB programs)	402	560	566

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

eta

Performance Goal 07-2A (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		PY 2002 Goal Not Achieved	PY 2003 Goal Achieved	PY 2004 Goal Achieved	PY 2005 Goal Achieved	PY 2006 Goal Not Achieved	**PY 2007 Goal Not Achieved**
Percent of participants employed in the first quarter after exit	Target	70%	71%	75%	76%	76%	**71%**
	Result	74%	74%	77%	77%	70%	**68%****
	*	Y	Y	Y	Y	N	**N**
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	80%	82%	85%	81%	82%	**83%**
	Result	84%	85%	86%	82%	82%	**84%****
	*	Y	Y	Y	Y	Y	**Y**
Average earnings in the second and third quarters after exit (six months' earnings)	Target	—	—	—	—	$11,000	**$12,045**
	Result	—	—	—	—	$11,870	**$13,641****
	*	—	—	—	—	Y	**Y**
Goal Net Cost (millions)		—	—	$906	$912	$896	**$844**

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

Legacy Data: Some indicators not shown for PY 2002-05. Complete indicators, targets and results for PY 2002-05 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 05-4.1A.

Note: Costs for this goal are net costs as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis. Costs are not allocated to the indicator level for employment, retention and earnings measures because program activities are not separable into categories associated with one or another.

Program Perspective and Logic

The WIA Adult Program helps adult workers (unemployed and employed) acquire the skills they need to compete in a global economy. Funds are distributed by formula to States, which operate networks of One-Stop Career Centers that provide comprehensive services to workers and employers. Services include assessments of skills needs, individual career planning, occupational skills training, on-the-job training, skills upgrading, entrepreneurial training, and adult literacy activities. States also use the WIA Adult Program to leverage additional Federal and non-Federal resources to increase the quality and variety of assistance. Through collaboration with its program partners, the WIA Adult Program assists individuals in their career goals, reduces welfare dependency, and improves the quality, productivity and competitiveness of the nation's workforce.

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

Analysis and Future Plans

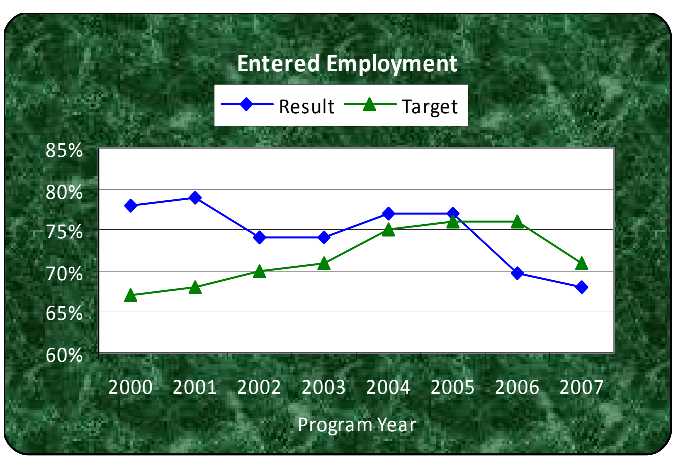
The performance goal for the WIA Adult Program was not achieved. DOL reached two of three performance indicator targets. The exception was the entered employment rate of 68 percent, which is three percentage points below the target. The barrier to achieving this target is in large part due to the policies of a number of States, including several large States, to co-enroll a significant number of participants in both the WIA Adult program and Wagner-Peyser employment services (Performance Goal 07-2C). These policies encourage integrated service delivery; however, Wagner-Peyser participants have traditionally had a lower employment rate. Co-enrollment, therefore, appears to pull down performance of the WIA Adult and Dislocated Worker Programs. The Department is working with the States with co-enrollment policies to determine whether action is necessary to ensure the ability to accurately measure the outcomes of these programs in the context of integrated service delivery.

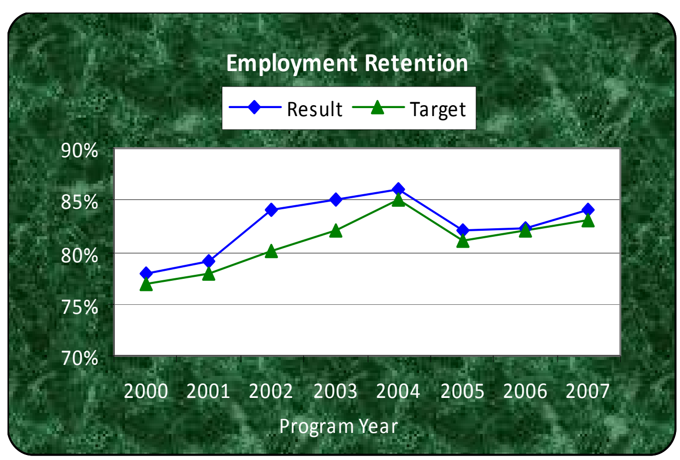
Nancy entered the WIA program at the Pennsylvania (PA) CareerLink Cambria County in January 2006 as a customer in a self-directed job search. She had not worked in 26 years; she had been a stay-at-home mom and had battled cancer. CareerLink staff referred Nancy to New Choices-New Options, a program for displaced homemakers. She began typing tutorials and was referred to the Office of Vocational Rehabilitation for additional services. Her assessment determined math deficiencies and high interest and aptitude in business. She attended Adult Basic Education classes, entered WIA Workfind, and was temporarily placed at the PA CareerLink Cambria County to learn office skills. Nancy now works as an administrative professional at a business located minutes from her home. Photo credit: Commonwealth Media Services

Due partly to co-enrollment, in PY 2005-07, the number of people served by the WIA Adult Program grew from approximately 400,000 to over two million – with many of these new participants receiving WIA core services. WIA core services are lower cost interventions such as job search and placement assistance that may be followed by higher cost services such as intensive services and training. While the outcomes appear to be stabilizing, the number of participants served continues to rise as new States adopt co-enrollment practices as a service delivery approach. DOL will continue to gather information from States on the impact of their co-enrollment policies and practices, and is talking to States about actions that would support an optimal co-enrollment policy – a policy that increases leveraged resources and yields positive outcomes.

Other program results remained strong. The employment retention rate of 84 percent surpassed the target by one percentage point; this means that many people who initially gain employment after receiving services maintain their employment after six months. At $13,641, the six-month average earnings result exceeded the target for PY 2007 by more than one thousand dollars. Increasing numbers of WIA Adult Program exiters are entering higher paying positions in managerial, technical, production, repair and other fields. DOL will continue to focus on assisting participants to enter skilled jobs in high growth occupations that pay good wages.

The WIA Adult Program will continue to improve services to WIA participants by strengthening strategic partnerships with business and industry, and the education community. Through strategic planning efforts and grant application requirements, these partnerships develop workforce solutions in the context of state and regional economies. Additionally, the Department continues to





encourage entrepreneurship training (by developing and promoting curricula) and lifelong learning as important tools in supporting healthy regional economies. The Department recently announced a new project to assist welfare recipients maintain employment and enter or advance in high-growth careers.

Costs associated with this goal decreased six percent from PY 2006 to PY 2007. This reflects normal spending fluctuations since States have three years to expend funds. Costs are allocated to the performance goal rather than at the indicator level, as funding supports all the outcomes for the WIA Adult Program.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2005	*Adequate*	http://www.whitehouse.gov/omb/expectmore/summary/10003900.2005.html

FY 2008 Progress on PART Improvement Plan

- *Conducting an evaluation to determine WIA services' impact on employment and earnings outcomes for participants.* An evaluation of the WIA programs using administrative data will be completed in December 2008. In June 2008, DOL awarded a contract to conduct a rigorous net impact evaluation of WIA programs that will take seven years and compare the employment and earnings of participants with nonparticipants.
- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs*. A final report of the efficiency measure study with recommendations for appropriate outcome-based efficiency measures for DOL's employment and training programs will be completed by December 2008. The selected measure or measures will be implemented in PY 2009.
- *Improving reporting efficiency, program management and accountability through the collection of new information with WISPR, a common reporting system for WIA, Trade Adjustment Assistance, and Wagner-Peyser Act Programs*. A final notice for comment on the proposed Workforce Investment Streamlined Performance Reporting (WISPR) system was published in the Federal Register. The comments and the information collection request are under review.

"Most One-Stop Career Centers Are Taking Multiple Actions to Link Employers and Older Workers," April 2008 (GAO)

Relevance: GAO examined Labor's actions to help One-Stops link employers with older workers and One-Stops' actions to help employers hire and retain older workers. The report found that most One-Stops take multiple actions to link employers and older workers.

Findings and Recommendations:

- GAO found that DOL has proposed action steps that One-Stops may take to link employers and older workers, but knows little about the results of these efforts.
- Based on surveys, it appears that One-Stops have taken multiple actions to link employers and older workers. However, the performance measure tracking participants' earnings may create disincentives for serving older workers who are more likely to work part-time at lower wages.

Next Steps:

- DOL has nearly completed the WIA Quick Net Impact study, a quasi-experimental evaluation that examined net impacts by subgroups, such as those 50 and older, using administrative data. A rigorous random assignment evaluation of the WIA Adult, Dislocated Worker and Youth programs will assess these programs' impacts on participants' post-program employment and earnings and their cost effectiveness over a seven-year period.
- To reduce disincentives, older workers qualify as a special population for the purpose of negotiating State performance targets. DOL is also leading a technical assistance initiative that includes how to best serve "most-in-need" populations such as older workers.

Additional Information: The report (GAO-08-548) is available at http://www.gao.gov/cgi-bin/getrpt?GAO-08-548.

"Workforce Development: Community Colleges and One-Stop Centers Collaborate to Meet 21st Century Workforce Needs," May 2008 (GAO)

Relevance: GAO examined community colleges' interaction with the workforce development system and found that while state funding and leadership are factors that help integration, the WIA performance system measures and WIA funding are impediments to integration of community colleges with the workforce system.

Findings and Recommendations:	***Next Steps:***
• Integration between the community colleges and the workforce system is hampered by the WIA performance system measures and the WIA funding issues. • WIA requirements to meet the performance levels in their Adult, Dislocated Worker and Youth programs provide a disincentive for the One-Stops to serve certain populations such as those on Temporary Assistance for Needy Families (TANF) or youth. GAO found that Labor has not acted on a prior recommendation to develop a systematic way to account for differences in the population groups served by the states' One-Stop Centers and apply it to all States when establishing their performance levels.	• DOL generally agrees with the findings and conclusions of the report. However, DOL expressed concern with comments from community colleges and state workforce officials regarding the disincentives resulting from the WIA performance measures. The Department issued guidance that allows for a thorough negotiation process with the States in setting performance levels. States and DOL negotiate targets that drive continuous improvement while recognizing the need to allow for harder-to-serve populations. States use adjustment models to show the effect on measured outcomes by efforts to increase access to populations with barriers to employment. DOL is considering alternative measures for a pilot.
Additional Information: The report (GAO-08-547) is available at http://www.gao.gov/cgi-bin/getrpt?GAO-08-547.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[35] Refer to the Data Quality and Top Management Challenges section in Performance Goal 1C, which shares the same data collection system, for a discussion of improvement efforts.

Originally from Missouri, Chad had spent most of his life in correctional institutions, on parole or on probation. After arriving at the Burlington half-way house, he met with a WIA employment specialist, and he agreed to try making a change. While working two jobs, Chad attended Southeastern Community College and took classes such as trigonometry, physics and Computerized Numerical Control (CNC) programming. His WIA specialist assisted him with applying for a Pell grant, covered the cost of psychiatric treatment for issues related to his past drug abuse, and helped provide a suit and tie for job interviews. Today, Chad has been out of prison for seven-and-a-half years and has been drug-free for over six years. He is a homeowner and has worked at the Winegard Company for the past six years as a machinist. When asked about his experience, Chad replied, "In 2000, I didn't have a chance. If it wouldn't have been for this program, I would've gone back to prison." Photo credit: DOL/ETA

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

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

Performance Goal 07-2B (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		PY 2002 Goal Not Achieved	PY 2003 Goal Not Achieved	PY 2004 Goal Not Achieved	PY 2005 Goal Not Achieved	PY 2006 Goal Not Achieved	**PY 2007 Goal Not Achieved**
Percent of participants employed in the first quarter after exit	Target	78%	78%	82%	83%	84%	**79%**
	Result	82%	82%	84%	83%	78%	**72%****
	*	Y	Y	Y	Y	N	**N**
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	88%	88%	91%	89%	90%	**89%**
	Result	90%	90%	91%	88%	88%	**87%****
	*	Y	Y	Y	N	N	**N**
Average earnings in the second and third quarters after exit (six months' earnings)	Target	—	—	—	—	$13,800	**$14,410**
	Result	—	—	—	—	$14,265	**$15,132****
	*	—	—	—	—	Y	**Y**
Goal Net Cost (millions)		—	—	$1,472	$1,543	$1,409	**$1,307**

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

Legacy Data: Some indicators not shown for PY 2002-05. Complete indicators, targets and results for PY 2002-05 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 05-4.1C.

Note: Costs for this goal are net costs as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis. Costs are not allocated to the indicator level for employment, retention and earnings measures because program activities are not separable into categories associated with one or another.

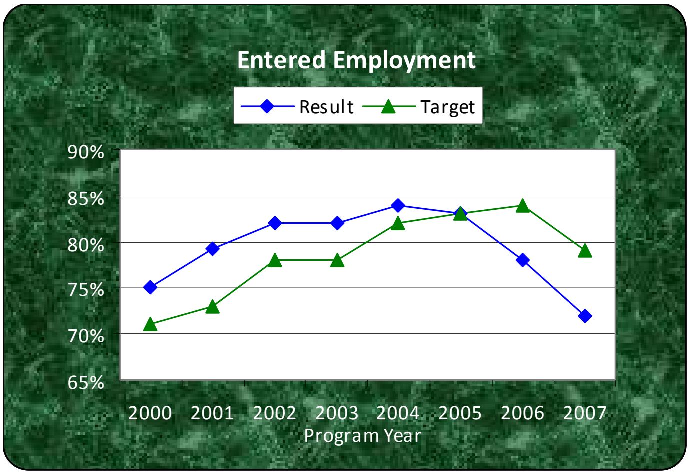
Program Perspective and Logic

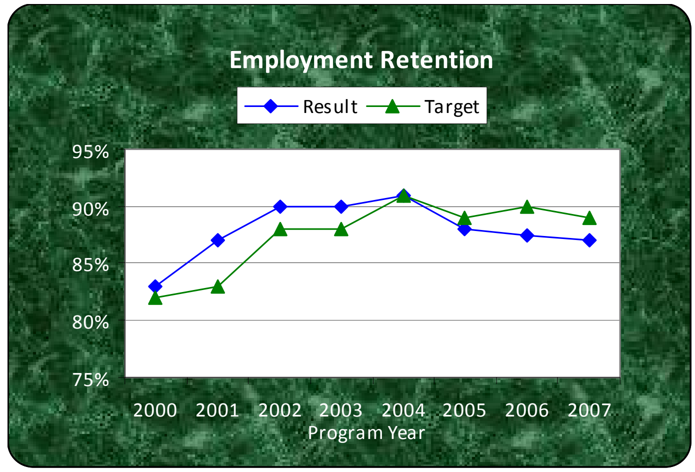
The WIA Dislocated Worker Program aims to quickly reemploy laid-off workers and to enhance their employability and earnings by increasing occupational skills. The Department allocates 80 percent of the funds by formula to the States. The Secretary of Labor may use the remaining 20 percent for discretionary activities specified under WIA, including assistance to localities that suffer plant closings, mass layoffs or job losses due to natural disasters, and military base realignment and closures. Training services available to dislocated workers are occupational skills training, on-the-job training, skills upgrading, entrepreneurial training, job readiness training, adult literacy activities, and customized training for employers who commit to hiring individuals enrolled in the program.

The Department measures the success of this program with the Federal job training program common measures. The common measures enable comparisons to be made to education, employment and job training programs which share similar core purposes. The entered employment rate measures the success of participants finding a job. The retention rate demonstrates if a participant has employment stability, and the average earnings measure is a six-month snapshot of wages after program intervention.

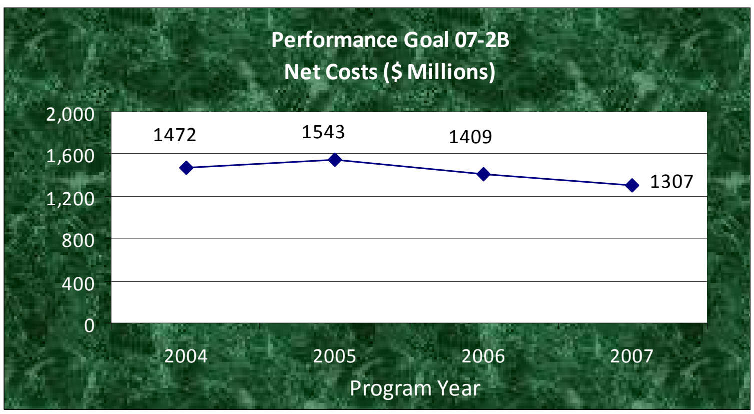
Analysis and Future Plans

The performance goal for the WIA Dislocated Worker program was not achieved. The entered employment rate of 72 percent missed the target by seven percentage points. The employment retention rate missed the target by just two percentage points. As described in the WIA Adult Program (Performance Goal 07-2A) narrative, the primary barrier to achieving these targets is co-enrollment by some States of a significant number of participants in these two WIA programs and the Wagner-Peyser employment services (Performance Goal 07-2C).





The third measure, six-month average earnings, exceeded the target with a result of $15,132. While wages will vary from one participant to another based on skill level and the type of job placement, increasing wages is one indicator of the Department's progress in placing dislocated workers in high-wage, high-growth occupations. The Department continues to encourage States to place a greater focus on providing education and skills training for high-growth occupations. Also, DOL recently announced new projects to help workers who have lost their jobs start small businesses and to raise workers' education and skill levels.



Costs associated with this goal decreased seven percent from PY 2006 to PY 2007, matching the decrease in appropriation for the same period. Costs are allocated to the performance goal rather than at the indicator level, as funding supports all the outcomes for dislocated workers.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2003	*Adequate*	http://www.whitehouse.gov/omb/expectmore/summary/10000330.2003.html

FY 2008 Progress on PART Improvement Plan

- *Conducting an evaluation to determine WIA services' impact on employment and earnings outcomes for participants.* An evaluation of the WIA programs using administrative data is on schedule to be completed in December 2008. In June 2008, DOL awarded a contract to conduct a rigorous, long-term impact evaluation of WIA programs.
- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs.* A final report of the efficiency measure study with recommendations for appropriate outcome-based efficiency measures for DOL's employment and training programs will be completed by December 2008. The selected measure or measures will be implemented in PY 2009.
- *Improving reporting efficiency, program management and accountability through the collection of information with WISPR, an integrated, streamlined reporting system for WIA, Trade Adjustment Assistance, and Wagner-Peyser Act and Jobs for Veterans' Act state grants.* A final notice for comment on the proposed Workforce Investment Streamlined Performance Reporting (WISPR) system was published in the Federal Register. The comments and the information collection request are under review.

"Most One-Stop Career Centers Are Taking Multiple Actions to Link Employers and Older Workers," April 2008 (GAO)

Information on this study is provided in the corresponding table for Performance Goal 07-2A.

"Workforce Development: Community Colleges and One-Stop Centers Collaborate to Meet 21st Century Workforce Needs," May 2008 (GAO)
Information on this study is provided in the corresponding table for Performance Goal 07-2A.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[36] Refer to the Data Quality and Top Management Challenges section in Performance Goal 1C, which shares the same data collection system, for a discussion of improvement efforts.

Ron's story is an example of the public workforce system at its best. He's an ex-offender who turned his life around. After earning his General Equivalency Diploma through the WIA Dislocated Worker Program, he went on to successfully complete classroom and workplace training for entry-level machining positions. Ron's employer is so impressed by his enthusiasm and quality work that they recommended him to be a featured speaker at a workshop encouraging dislocated workers to take advantage of available training programs in manufacturing. After one year, 12 of the 15 workers who started the program with Ron are still working in manufacturing. Also, The Workforce Connection Business Services Team and the Boone & Winnebago Counties Workforce Investment Board intend to use this training model to meet the needs of other companies. Photo credit: DOL/ETA

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

Improve outcomes for job seekers and employers who receive One-Stop employment and workforce information services.

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Performance Goal 07-2C (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		PY 2002 Goal Not Achieved	PY 2003 Goal Achieved	PY 2004 Goal Not Achieved	PY 2005 Goal Achieved	PY 2006 Goal Not Achieved	**PY 2007 Goal Achieved**
Percent of participants employed in the first quarter after exit	Target	55%	58%	58%	61%	64%	**61%**
	Result	63%	61%	64%	63%	60%	**64%**
	*	Y	Y	Y	Y	N	**Y**
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	—	72%	72%	78%	81%	**78%**
	Result	—	80%	81%	80%	77%	**81%**
	*	—	Y	Y	Y	N	**Y**
Average earnings in the second and third quarters after exit (six months' earnings)	Target	—	—	—	—	$10,500	**$11,870**
	Result	—	—	—	—	$11,576	**$12,763**
	*	—	—	—	—	Y	**Y**
Goal Net Cost (millions)		—	—	$831	$884	$749	**$732**

Source(s): Quarterly State WIA performance reports (ETA-9090).

Legacy Data: Some indicators not shown for PY 2002-06. Complete indicators, targets and results for PY 2002-06 are available in the FY 2007 report at http://www.dol.gov/_sec/media/reports/annual20067/PGD.htm. See Performance Goal 05-4.1B.

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. Costs for PY 2006 have been restated to correct an allocation of costs between this goal and National Electronic Tools (Goal 06-2E in the FY 2007 report). Costs are not allocated to the indicator level for employment, retention and earnings measures because program activities are not separable into categories associated with one or another.

Program Perspective and Logic

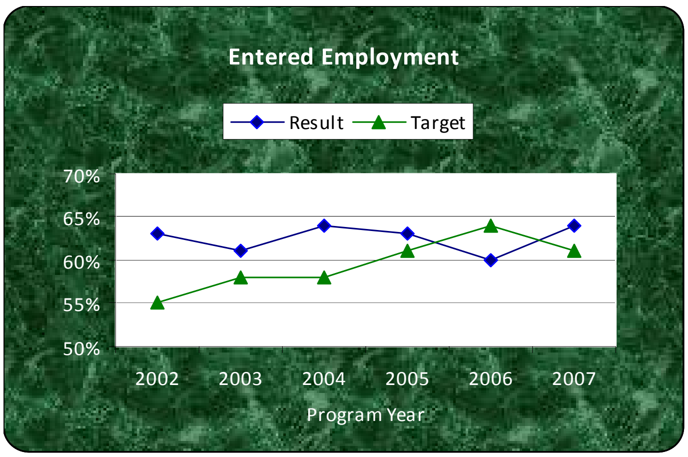
A fundamental underpinning of the nation's One-Stop Career Centers is the delivery of core employment and workforce information services to businesses and job seekers. Core services include job matching, referral, assessments, a wide array of workforce and labor market information, and career guidance. Principally funded through the Wagner-Peyser Act, as amended by the Workforce Investment Act (WIA) of 1998, these services are designed to help both employed and unemployed workers obtain jobs and give employers access to skilled workers who will help them compete in the global economy. In addition to core services, the One-Stop Career Centers provide customized services to clients with special needs such as Unemployment Insurance claimants, veterans, and migrant and seasonal farm workers.

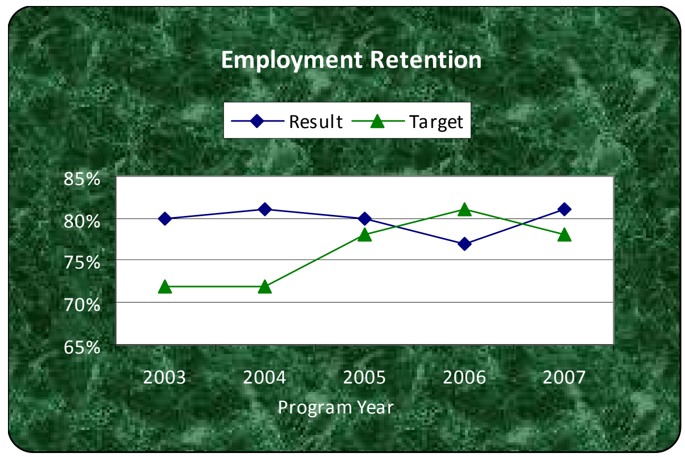
Employment and workforce information services that account for unique local and regional labor market conditions and reflect workers' needs are critical to achieving successful outcomes for job seekers and employers. Services are provided in collaboration with a wide array of workforce investment partners and are coordinated with other services available through One-Stop Career Centers, such as training, child care, and transportation. Most services can be accessed through a suite of electronic workforce tools at CareerOneStop.org, but many participants are referred to staff for personalized assistance and co-enrolled in WIA programs. The Employment Service assists nearly 16 million participants a year, a high volume compared to other employment and training programs.

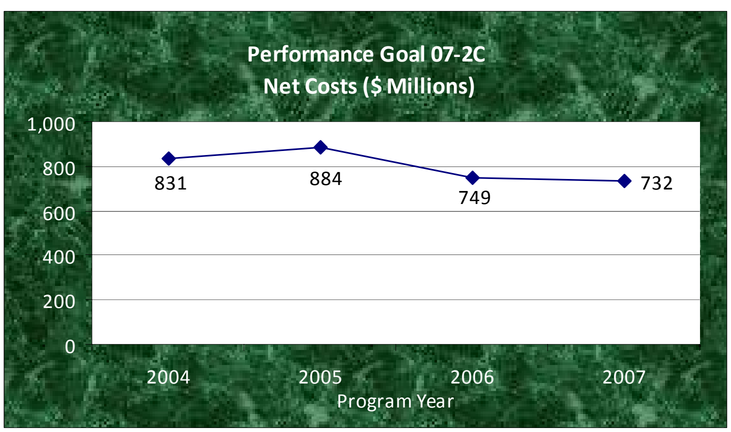
The Department uses the common measures for Federal employment and job training programs to evaluate the effectiveness of its core employment and workforce information services. Common measures, including the entered employment rate, the employment retention rate and average earnings, enable comparisons to be made for employment and job training programs that share similar purposes. Collectively, the three measures help gauge the workforce system's ability to match individuals who are seeking employment with employers who need their skills. Unlike the WIA programs, the Employment Service does not provide training services. This program provides universal access to job search assistance, counseling, job matching, and workforce and labor market information. Therefore, results can be impacted to a higher degree by national unemployment and employment rates as well as general hiring trends.

Analysis and Future Plans

The performance goal for the Wagner-Peyser Act's Employment Service system was achieved. All three indicator results reached targets and improved upon PY 2006 performance. The entered employment rate of 65 percent and employment retention rate of 80 percent both rose above last year's results and were comfortably above the targets set for this year. The system also posted a very positive six-month average earnings result of $12,708. Collectively, the three measures help gauge the workforce investment system's ability to help people find a job and to maintain their employment at good wages. Overall, the results show the system has been successful in matching individuals who are seeking employment with employers who need their skills. Additionally, DOL has observed more Employment Service participants co-enrolled in WIA programs. This partnership has provided more individuals access to the additional core services, and in some cases, access to intensive and training services.







Costs associate with this performance goal rose by six percent from PY 2004-05, fell by 15 percent between PY 2005-06, then fell by two percent from PY 2006-07, reflecting a nine percent decrease in appropriation from PY 2004-07 and annual fluctuations in the timing of expenditures. States have three years to expend funds. Costs are allocated to the performance goal rather than at the indicator level, as funding supports all measured outcomes for participants.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2004	*Adequate*	http://www.whitehouse.gov/omb/expectmore/summary/10002376.2004.html

FY 2008 Progress on PART Improvement Plan

- *Tracking the levels of self-service participants versus staff assisted participants to improve workforce system integration.* DOL reviewed each of the 54 grantee reports and contacted the three States not tracking self-service participants. These States now comply with expectations. In FY 2009, ETA will take an additional step to improve sub-components of the self-service data.

- *Improving reporting efficiency, program management and accountability through the collection of new information with WISPR, an integrated, streamlined reporting system for WIA, Trade Adjustment Assistance, and Wagner-Peyser Act and Jobs for Veterans Act state grants.* In October 2008, OMB approved the WISPR documents (Forms 9131, 9132, and 9133) with an implementation date of July 1, 2009. ETA is developing a revised plan for full implementation of the WISPR formats.
- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs*. A final report of the efficiency measure study with recommendations for appropriate outcome-based efficiency measures for DOL's employment and training programs will be completed by December 2008. The selected measure or measures will be implemented during Program Year 2009.

"Most One-Stop Career Centers Are Taking Multiple Actions to Link Employers and Older Workers," April 2008 (GAO)
Information on this study is provided in the corresponding table for Performance Goal 07-2A.
"Workforce Development: Community Colleges and One-Stop centers Collaborate to Meet 21st Century Workforce Needs," May 2008 (GAO)
Information on this study is provided in the corresponding table for Performance Goal 07-2A.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[37] While verification remains an area for improvement, extensive effort has been directed towards improving data quality through the use of ETA's data validation system and monitoring at both the national and regional levels (see the Top Management Challenges section of Management's Discussion and Analysis). The validation initiative for this program is based on a sample. A sample approach continues to provide the most logical, administratively feasible, and cost effective means of validation due to the large number of participants – between 12 and 16 million – who receive core services. Data validation activities for PY 2006 data were completed on time. The deadline for PY 2007 data validation was extended to October 2008 due to software upgrades to the Data Report and Validation Software.

CareerOneStop.org offers workforce information and career resources to businesses, workforce professionals, job seekers, and students to foster talent development. This website is an important part of the Employment and Training Administration's (ETA) suite of national electronic tools. The new Regional Economic Development (RED) portal supports regional strategic planning and decision making by offering high quality labor market, economic, and workforce information in one convenient location. Content follows ETA's Workforce Innovation in Regional Economic Development (WIRED) initiative model for talent development that drives regional economic growth and competitiveness. Photo credit: DOL/ETA

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

Increase the employment, retention, and earnings of individuals registered under the Senior Community Service Employment Program

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Performance Goal 07-2D (ETA)

Indicators, Targets and Results

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

Source(s): Quarterly reports from the SCSEP Performance and Results Quarterly (SPARQ) Project Report System.

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. Costs are not allocated to the indicator level for employment, retention and earnings measures because program activities are not separable into categories associated with one or another of them.

Program Perspective and Logic

The aging of the baby boomer generation presents both challenges and opportunities to the workforce investment system. SCSEP's goal is to promote self-sufficiency for older persons by placing them in unsubsidized employment. Formula grants to States and competitively awarded grants to public and private non-profit organizations fund part-time, minimum wage employment and job training services for approximately 90,000 low-income workers age 55 and older. SCSEP grantees and their affiliates deliver placement and training services and coordinate activities in partnership with nearly 3,000 comprehensive and affiliate One-Stop Career Centers nationwide.

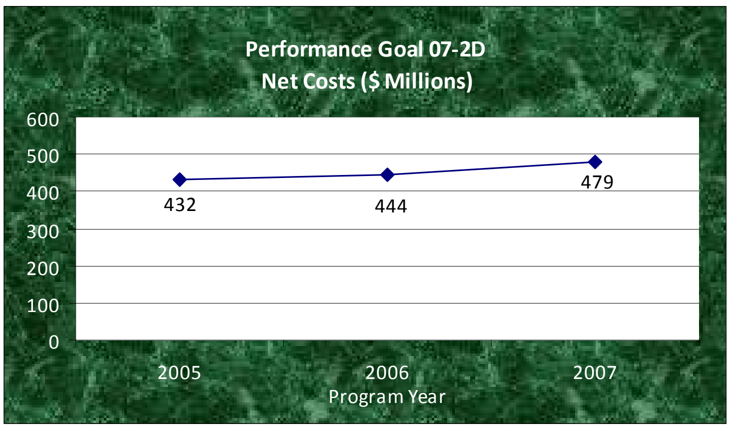
DOL measures SCSEP success using the Federal job training program common measures. Common measures (entered employment rate, employment retention rate and average earnings) enable comparisons to be made to education, employment and job training programs that share similar purposes. These indicators measure participants' improved financial opportunity, stability of their new positions in unsubsidized employment, and effectiveness of training services, respectively. Targets for these measures are negotiated with each grantee based on past and projected outcomes, improvements in program design, and external economic factors.

Analysis and Future Plans

The performance goal for the SCSEP Program was substantially achieved. Entered employment and employment retention rates exceeded both PY 2007 targets and PY 2006 results. However, the retention rate data demonstrate a slight reduction from PY 2005 data, a benchmark the program intends to exceed in the coming program year. The average earnings result was $6,713, only $62 under the PY 2007 target and nine dollars above the PY 2006 result. The exceptional improvement in the entered employment rate (20 percentage points) is due to the addition to this year's data pool of large numbers of higher performing grantees. Last year, common measures data were available for only 22 percent of program participants.

George, retired since 1995, became a widower at age 80, and decided to return to work to help people like himself with limited incomes. He enrolled in the DOL-funded Mature Workers program, was selected for training to become a case manager for other participants, and attended staff development activities conducted by the Urban League. George impressed them with his interpersonal skills and overall proficiency. George was having financial difficulties and pursued unsubsidized employment with higher wages. An Urban League staff member urged him to apply for a position as a Facilitator Instructor for Citigroup's financial literacy program. He is now working for CitiFinancial helping other people like himself and credits the Mature Workers program with helping him find rewarding employment. Photo credit: DOL/ETA

The Department continues to analyze data to determine appropriate performance target levels. The average earnings measure, adopted last year, will continue to be monitored to determine the extent to which service interventions and the acquisition of new skills can lead older workers to more stable employment in jobs that pay good wages. Additionally, the Department is focused on implementing regulations based on the 2006 amendments to the Older Americans Act, such as adopting a new community service performance measure.



Costs associated with this goal rose eight percent from PY 2006-07, which relate to a 12 percent increase in appropriation and the minimum wage increase effective July 2007. Costs are allocated to the performance goal rather than at the indicator level, as funding supports all the measured outcomes for older workers.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2003	*Ineffective*	http://www.whitehouse.gov/omb/expectmore/summary/10000328.2003.html

FY 2008 Progress on PART Improvement Plan

- *Continuing to strengthen program accountability through common performance measures, including developing a new measure to gauge cost-effectiveness.* DOL implemented reporting on common measures for this program in PY 2006. Program Year 2007 is the first year when all grantees reported on common measures.
- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs.* A final report of the efficiency measure study with recommendations for appropriate outcome-based efficiency measures for DOL's employment and training programs will be completed by December 2008. The selected measure or measures will be implemented during Program Year 2009.
- *Publishing a proposed rule to implement the 2006 Older Americans Act amendments.* In 2008, DOL published the proposed rule. Publication of the final rule is expected in Program Year 2009.

"Most One-Stop Career Centers Are Taking Multiple Actions to Link Employers and Older Workers," April 2008 (GAO)

Information on this study is provided in the corresponding table for Performance Goal 07-2A.

Data Quality and Top Management Challenges

The data quality for this performance goal is rated *Good*.[38] In PY 2007, SCSEP reported complete data on the common measures from all grantees, restoring its initial rating after a downgrade for PY 2006.[39] About two-thirds of SCSEP grantees completed validation of PY 2006 data and made significant modifications. Based on these changes and the lag in performance data availability, the Department requested that grantees continue to modify source documentation and validate PY 2007 data during PY 2008. Grantees will be held accountable for validating reported data beginning in PY 2009. DOL has also implemented edit and logic checks, and has a data quality report and various management reports available to ensure data submitted by the grantees into the SCSEP Performance and Results Quarterly (SPARQ) Project Report System is verifiable. Finally, the Department is pursuing access to unemployment insurance wage records to improve data accuracy and process efficiency.

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

[39] In PY 2006, State grantees (serving 22 percent of program participants) but not national grantees reported on these measures.

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

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Performance Goal 08-2E (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2003 Goal Not Achieved	FY 2004 Goal Not Achieved	FY 2005 Goal Not Achieved	FY 2006 Goal Achieved	FY 2007 Goal Achieved	**FY 2008 Goal Not Achieved**
Percent of participants employed in the first quarter after exit	Target	78%	70%	70%	70%	70%	**73%**
	Result	62%	63%	70%	72%	70%	**68%****
	*	N	N	Y	Y	Y	**N**
Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit	Target	90%	88%	89%	85%	85%	**91%**
	Result	86%	89%	91%	90%	88%	**90%****
	*	N	Y	Y	Y	Y	**I**
Average earnings in the second and third quarters after exit (six months' earnings)	Target	—	—	—	—	Baseline	**$14,050**
	Result	—	—	—	—	$13,914	**$14,278****
	*	—	—	—	—	—	**Y**
Goal Net Cost (millions)		—	—	$846	$700	$805	**$755**

Source(s): Trade Act Participant Report (TAPR) included in the Enterprise Business Support System (EBSS).
Legacy Data: Some indicators not shown for PY 2003-06. 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 06-4.1B.
Note: Net costs, which are defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis, are not allocated to the indicator level for employment, retention and earnings measures because program activities are not separable into categories associated with one or another. The goal was reported as not achieved in the FY 2006 report; corrections to data for two of the three indicators changed this result.

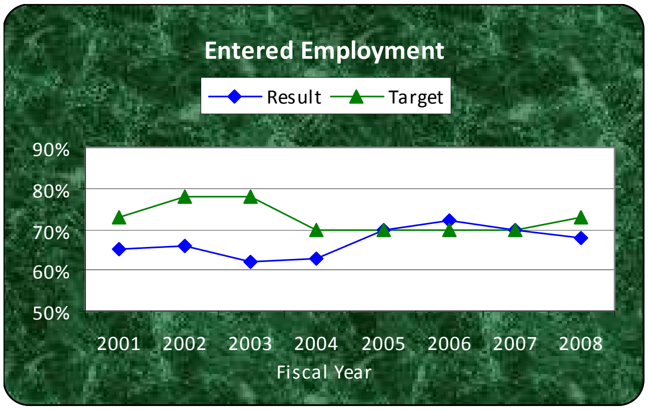
Program Perspective and Logic

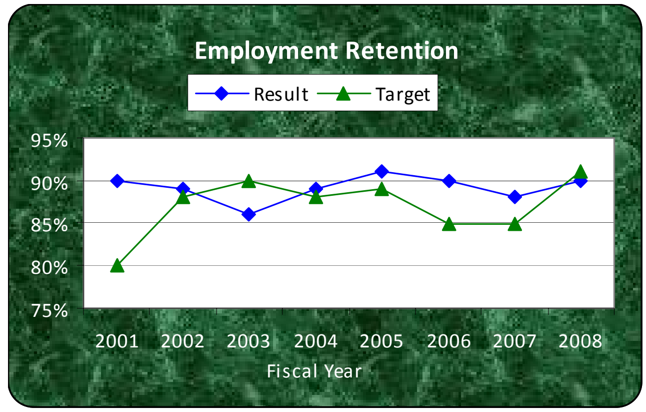
The Trade Adjustment Assistance (TAA) Program provides training, income support, and related assistance to workers who lose their jobs due to increased imports or shifts in production to foreign countries. The program's primary goal is to return workers to suitable employment. The TAA Program is one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

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

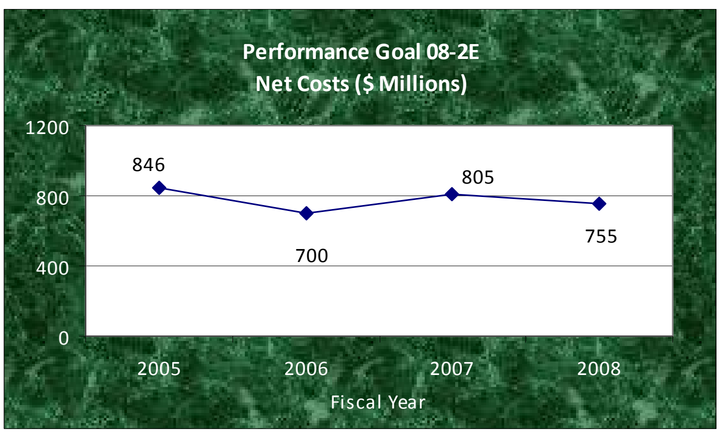
Analysis and Future Plans

The performance goal for the TAA Program was not achieved in FY 2008. While the results for average earnings exceed the target, the target for the percent of participants entering employment was not met. DOL attributes the dip in entered employment to economic conditions; the five states with the largest numbers of participants exiting the TAA program all had unemployment levels above the national average during this reporting period. The 90 percent result for the number of participants retaining employment did not reach the target but indicates improvement over the FY 2007 result. The Department credits the improved earnings with continued high retention levels to increased demand for trained workers.





DOL continues to explore strategies that will help improve the outcomes of the TAA program. In collaboration with the Employment Service and WIA and Unemployment Insurance programs, TAA is hosting a national reemployment summit in January 2009. The agenda will emphasize suitable reemployment of individuals who have lost jobs, including job loss due to foreign trade; it will be attended by state employees that administer the various programs, including TAA Coordinators. The Summit aims to enhance the capability of the Workforce system to improve reemployment outcomes, and to thereby benefit participants in all employment and training programs.



Costs associated with this performance goal fell six percent between FY 2007-08 due to decreased participation in the Trade Adjustment Assistance/Trade Readjustment Allowance (TRA) program. In addition, the decrease in TRA costs and participation may be related to the 13 weeks of Extended Unemployment Compensation which are now available and replace TRA payments for eligible workers. Costs are allocated to the performance goal rather than at the indicator level, as funding supports all the outcomes for trade affected workers.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2007	*Ineffective*	http://www.whitehouse.gov/omb/expectmore/summary/10000340.2007.html

FY 2008 Progress on PART Improvement Plan

- *Adjusting the formula for allocating training funds to the States to better reflect the current need for training*. Guidance announcing the funding allocations for FY 2009 will also indicate DOL's intent to implement a formula change for FY 2010 and beyond. A Federal Register Notice (FRN) will be issued early in 2009 inviting comment before implementing this change. Since funding is annual, implementation is targeted for September 2009.
- *Developing an internal review process to verify the accuracy of trade petition certifications and denials*. Options for developing a trade petition quality review component are being considered. However, due to the pending program

reauthorization, which is expected to include changes in the certification and denial criteria, the Department will defer developing this process until the parameters of the new certification process are defined.

- *Adopting efficiency measures that are linked to performance outcomes, account for all costs, and facilitate comparisons across Department of Labor training and employment programs.* A final report of the efficiency measure study with recommendations for appropriate outcome-based efficiency measures for DOL's employment and training programs will be completed by December 2008. The selected measure or measures will be implemented during Program Year 2009.

"Trade Adjustment Assistance: States Have Fewer Training Funds Available than Labor Estimates When Both Expenditures and Obligations Are Considered," November 2007 (GAO)

Relevance: GAO conducted a telephone survey to assess the amount of TAA training funds available for FY 2007, the process to obligate training funds, and the amount of National Emergency Grants (NEGs) funds awarded for TAA in the past three fiscal years.

Findings and Recommendations:

- Survey reflected that GAO and DOL estimates of available training funds differ because Labor's estimates include administrative funding but exclude unliquidated obligations. GAO also found that States have far less funding available to provide TAA training than DOL suggests.
- Surveyed States reported actively managing obligations, including timely de-obligations. However, DOL's approach to distributing TAA training funds continues to be a concern.
- Labor awarded NEG funds to eighteen States to be used for co-enrollment of TAA participants.

Next Steps:

- DOL continues to monitor available funds for expenditure, by comparing them to the number of participants who complete their training.
- The allocation formula is under review, including the hold-harmless provision, to ensure that current-year funds are allocated effectively to meet current-year TAA needs; and subject to knowing the outcome of TAA reauthorization.
- DOL awards NEGS to support trade-displaced workers by providing "wrap-around services" and other activities available under WIA, except training. The need for two funding sources further illustrates a program improvement recommended for TAA reauthorization.

Additional Information: The report (GAO-08-165) is available at http://www.gao.gov/cgi-bin/getrpt?GAO-08-165.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Fair*.[40] An improvement plan has been implemented that includes updating guidance to regional office staff on monitoring TAA data collection, quality control and reporting methods; and continuing to require States to conduct data element validation on Trade Act Participant Report records at the end of each year. Software is used to randomly select records, not to exceed 160 per State; and the information in case files is reviewed to ensure the data collected are complete, accurate and verifiable. In addition, DOL now monitors data elements reported by States; inconsistent responses prompt a request for explanation or correction. Also, as part of its proposed reauthorization of the program, DOL is seeking authority for obtaining more timely and accurate reporting from States.

Shanna had been working on the washer line at Herrin (IL) Maytag/Whirlpool for eight years when the plant closed, leaving 1,000 workers unemployed. "It was a sad, sad day," she said. "Everyone tried to cope the best they could?? After they made the announcement, we were given the rest of the day off with pay. I went and picked my kids up from school and cried." Shanna benefitted from an unprecedented cooperative venture between Man-Tra-Con Corporation and John A. Logan College (JALC). A special Transition Center at the college was created for former Maytag/Whirlpool employees to meet, study, receive tutoring and provide mutual support. With TAA and WIA Dislocated Worker funding and guidance from a Man-Tra-Con career specialist, Shanna entered JALC. She graduated on May 16, 2008 with a dozen other former Maytag/Whirlpool employees, earning an Associate's Degree and a medical assistant's certificate. Since then, she has worked for Southern Illinois OB-GYN and Associates.
Photo credit: DOL/ETA

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

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Address worker shortages through Foreign Labor Certification Programs.

Performance Goal 08-2F (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2005 Goal Not Achieved	FY 2006 Goal Not Achieved	FY 2007 Goal Not Achieved	**FY 2008 Substantially Achieved**
Percent of H-1B applications processed within seven days of the filing date for which no prevailing wage issues are identified	Target	100%	100%	100%	**100%**
	Result	100%	100%	98%	**100%****
	*	Y	Y	N	**Y**
	Cost	—	—	—	**—**
Percent of employer applications for permanent labor certification under the streamlined system that are resolved within six months of filing	Target	baseline	60%	65%	**75%**
	Result	57%	86%	74%	**94%****
	*	Y	Y	Y	**Y**
	Cost	—	—	—	**—**
Percent of accepted H-2A applications with no pending State actions processed within 15 days of receipt and 30 days from the date of need	Target	—	95%	95%	**60%**
	Result	—	53%	55%	**57%****
	*	—	N	N	**I**
	Cost	—	—	—	**—**
Percent of the H-2B applications processed within 60 days of receipt	Target	90%	90%	90%	**64%**
	Result	85%	82%	62%	**77%****
	*	N	N	N	**Y**
	Cost	—	—	—	**—**
Goal Net Cost (millions)		$60	$46	$63	**$40**

Source(s): Program Electronic Review Management System, Case Management System (CMS), and H-1B Electronic Processing System.
Legacy Data: Some indicators not shown for FY 2005. Complete indicators, targets and results for FY 2005 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 06-4.1A.
Note: 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

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

Performance indicators are tied to statutory, regulatory, or internal processing requirements for Foreign Labor Certification programs. For example, the permanent (PERM) program measures the percent of employer applications for labor certification resolved within six months of filing; this reflects much shorter processing times under the streamlined system than under the previous regulation – which could take years. The other three performance indicators measure responsiveness to employers' time-sensitive demand for permission to hire temporary workers by tracking applications processed with ranges of seven to sixty days. Targets are based on performance information, data analysis, and anticipated application caseloads. In FY 2009, processing times may actually increase due to new procedures designed to strengthen program integrity.

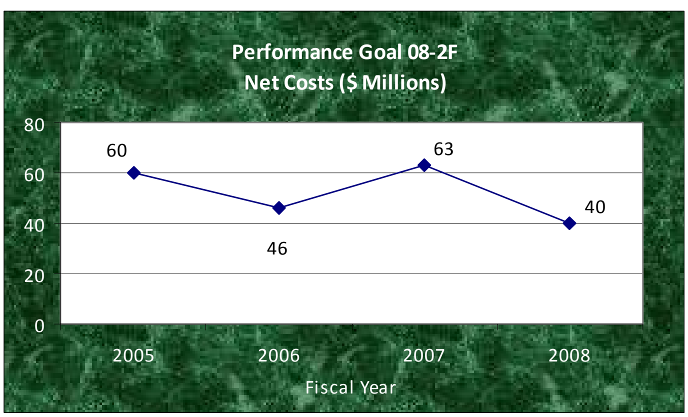
Analysis and Future Plans

The goal was substantially achieved; three targets were reached and results for one indicator did not reach the target but improved from FY 2007. The H-1B Specialty Occupations Program for highly skilled professionals (specialty workers) processed 100 percent of applications — now almost always filed electronically — within the statutory seven-day timeframe.

The target for the PERM program was reached. Ninety-four percent of PERM applications were processed within six months, exceeding the FY 2008 target and the prior year result by about 20 percentage points. PERM performance was aided by a one-time influx of resources that had been committed to eliminating the backlog of applications in the old permanent program. Future PERM processing performance will be impacted by the implementation of integrity actions related to July 2007 fraud rule and the elimination of the program's backlog of cases. The specialized processing of all new PERM applications at the Atlanta National Processing Center, which began June 2, 2008, is expected to increase efficiency and potentially, output. The performance target will be increased for FY 2009 and FY 2010.

Performance of the H-2A Temporary Agricultural Program improved over FY 2007. Progress in meeting the 15-day statutory processing timeframe to accept or request a modification of applications is slow but steady. This year, DOL experienced minor delays in obtaining recruitment reports and housing inspections from employers and State agencies. As of June 2008, all new H-2A applications are being processed at the Chicago National Processing Center – a change that is expected to increase efficiency and potentially output, as well.

The H-2B Program for Non-agricultural Seasonal Workers reached its target for FY 2008; 77 percent of H-2B applications were processed within 60 days of receipt, a 14.6 percent increase from the prior year. In FY 2009, the H-2B program will also benefit from the Department's specialized processing of applications. All new H-2B applications will be processed at the Chicago center, thereby increasing efficiency and potentially output. DOL has issued a Notice of Proposed Rulemaking designed to streamline the H-2B program. The proposed rule will speed processing by moving to an employer attestation process akin to the PERM system that has reduced backlogs in the permanent program. The performance target will be increased for FY 2009 and FY 2010.



Costs associated with this performance goal dropped 36 percent from FY 2007-08 due to the timing of awards for major staffing contracts and infrastructure and operations, e.g., information technology contracts. Costs for contract awards made in the fourth quarter will be reflected in FY 2009. The fluctuation from FY 2005-07 reflects a temporary drop in staff costs during consolidation of PERM application processing from ten regional offices into two new National Processing Centers, followed by staffing up of those centers and the Backlog Elimination Centers.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2004 (H-1B)	*Moderately Effective*	http://www.whitehouse.gov/omb/expectmore/summary/10002378.2004.html
FY 2008 Progress on PART Improvement Plan		
• *Implementing new government-wide information technology security standards as appropriate.* The System Security		

Plan, Contingency Plan and Risk Assessment were updated to comply with federal government IT standards.

- *Advocating the need for statutory changes that would require employers filing H-1B applications to test the labor market to ensure no U.S. workers are available and willing to fill the position.* Legislative action has not been taken. However, DOL has enhanced the H-1B case management system to strengthen screening for errors and omissions to fully implement its statutory authority under the program. Also, since 2005, the Department has collaborated with the Department of Homeland Security and Department of State in a multi-agency data sharing effort to identify, address, and deter H-1B and other visa fraud.

PART Year	Rating	
2004 (PERM)	*Adequate*	PART Findings and Improvement Plan: http://www.whitehouse.gov/omb/expectmore/summary/10002380.2004.html

FY 2008 Progress on PART Improvement Plan

- *Developing appropriate performance measures for the new program, and establish ambitious long-term and annual targets.* In 2008, the Department established a new fraud detection and prevention unit, and is developing appropriate integrity measures.
- *Revising the application for Permanent Labor Certification (ETA Form 9089) to promote clarity and ease of use by employers, address implementation of the Fraud Rule, and promote efficient processing.* DOL is working to revise the current electronic filing system to incorporate the changes to the application form. The completion of programming and testing is scheduled for early spring with implementation in April 2009.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[41] Efforts to improve accuracy of reported wages and Employer Identification Numbers include expansion of the data validation checks built into the H-1B application system. See *Labor Could Improve its Oversight and Increase Information Sharing with Homeland Security* (GAO-06-720) for an explanation of key data quality issues. OFLC regularly assesses data quality, collection methods, and the Web-based case management systems to ensure that data are reliable, appropriate, and useful to management.

Integrity of the foreign labor certification program and the ability to process applications in a timely manner remain among DOL's top management challenges (see *Maintaining the Integrity of the Foreign Labor Certification Program* in the Top Management Challenges section of Management's Discussion and Analysis). Since 2007, when it eliminated the backlog of permanent applications, OFLC has instituted measures and has now created a separate division to identify, deter, and address fraud in foreign labor certification programs. OFLC resources are continually evaluated to ensure the appropriate balance and allocation among its many activities.

Fraud contributes to inefficiency by tying up resources that could help process the large volume of legitimate applications. Fraud cases involve applications filed on behalf of fictitious companies, the use of legitimate companies without their knowledge, the collection of fees from fraudulent applications filed on behalf of foreign workers, the substitution of aliens for named applicants, and other unscrupulous practices. Employer compliance is improving as a result of actions such as the PERM Fraud Rule, which DOL published in the Federal Register on May 17, 2007. The new rule limits the certification period to 180 days if the certification is not filed in support of a petition with DHS within that period, prohibits substitution and certain improper payments, and provides for debarment of employers for prohibited practices. In addition, the Department took aggressive action to ensure the integrity of the online application process by including filters to identify applications for audit; supervising recruitment for employers, when appropriate; and referring matters to the OIG.

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

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

Performance Goal 08-2G (ODEP)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2005 Goal Achieved	FY 2006 Goal Achieved	FY 2007 Goal Achieved	**FY 2008 Goal Achieved**
Number of policy-related documents	Target	—	baseline	20	**34**
	Result	—	20	34	**44**
	*	—	Y	Y	**Y**
Number of formal agreements	Target	—	baseline	20	**23**
	Result	—	20	23	**36**
	*	—	Y	Y	**Y**
Number of effective practices	Target	11	21	20	**24**
	Result	19	26	24	**27**
	*	Y	Y	Y	**Y**
Goal Net Cost (millions)		$52	$50	$34	**$27**

Source(s): ODEP Division of Policy Planning and Research and Division of Administrative Systems and Financial Services.
Legacy Data: Some indicators not shown for FY 2005. 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 06-1.1B.
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. Costs are not allocated to indicators because program activities are not separable into categories associated with one or the other.

Program Perspective and Logic

The Department's Office of Disability Employment Policy (ODEP) develops and influences the implementation of policy to reduce barriers to employment for people with disabilities. Increasing workforce participation of people with disabilities requires the removal of barriers experienced by job seekers and employees. ODEP develops policy about and for workforce systems, employers and the workplace, and employment-related supports. Key components of ODEP's employer-focused effort include fostering the implementation of effective policies and practices, conducting research and analysis that validates and identifies effective disability-employment strategies, and providing technical assistance on implementing policy and effective practices.

ODEP's response to traditionally low employment rates among people with disabilities is comprehensive and aggressive. Success requires active involvement and cooperation of stakeholders including Federal, State, and local agencies; non-governmental organizations; and private and public sector employers. Collaboration with these stakeholders results in policy development and implementation that expands access to systems (such as employment and training, education, and vocational rehabilitation), and increases the availability and accessibility of employment-related supports (such as health care, transportation and technology).

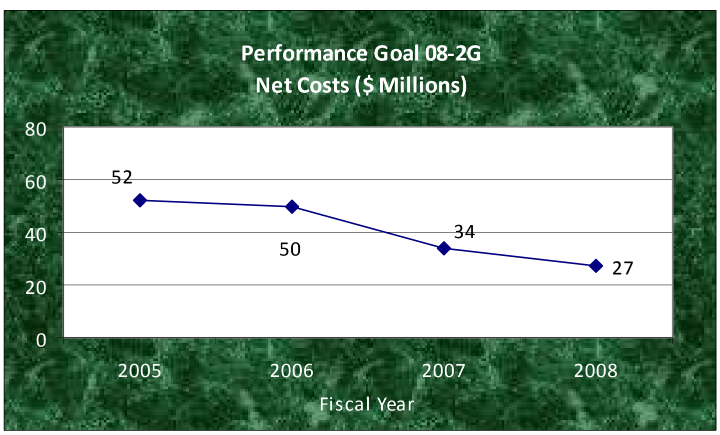
ODEP's investments in research and technical assistance activities provide employers with the information they need to increase the recruitment, retention, and promotion of people with disabilities. The results of these activities – policy-related documents, formal agreements, and effective practices – are reflected in the current indicators and targets.

Analysis and Future Plans

ODEP achieved its goal by reaching all three targets. ODEP identified 27 effective practices in FY 2008, reaching the target of 24. Targets for the two new indicators (34 policy related documents and 23 formal agreements) were reached, as well, with results of 44 and 36, respectively.

Gorman P., an equipment operator 2nd Class with the U.S. Navy, was running convoys in Iraq when a sudden sandstorm caused a 90-pound wood plank to hit him in the head, causing a traumatic brain injury. Due to his new disability, he was unable to return to his former civilian job as a truck driver. Although he had some ideas about alternative career options, he recognized the need for additional education. While recuperating from his injury, Gorman enrolled in the Transition Training Academy (TTA), a pilot project for disabled veterans returning from Iraq and Afghanistan designed to hone their information technology skills and provide them with marketable credentials. After completing the program, Gorman obtained a job with a consulting and training services company teleworking from his home. Gorman is committed to helping other disabled veterans transition to the civilian workforce. "I wouldn't be where I am today without TTA," he said. "I want to pass along the opportunities that were given to me." Photo credit: DOL/ETA

In FY 2008, ODEP continued to conduct research and analysis and provide technical assistance, particularly on and about employers and their perspectives. ODEP also continued providing technical assistance to workforce investment systems through cooperative agreements. These agreements, which require ongoing collaboration between ODEP and other entities, fund national technical assistance efforts, disability and employment research, and the dissemination of effective practices. ODEP conducted the second phase of a program evaluation in FY 2008 to develop and pilot test a performance measurement system that supports ODEP's mission. Findings and recommendations regarding the results of the pilot test, use of current annual performance measures, and proposed intermediate outcome measures will be reviewed and analyzed in FY 2009.



ODEP net costs dropped again in FY 2008 – to $27 million – from $34 million in FY 2007 and from higher levels in FY 2005-06. Net costs include funds awarded in prior fiscal years. Reduced funding has led to a significant reduction in pilot projects. In FY 2009, additional efficiencies are expected to result from staff experts' assumption of work previously performed by grantees, including lower development and operation costs associated with grant projects.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2006	*Results Not Demonstrated*	http://www.whitehouse.gov/omb/expectmore/summary/10003911.2006.html

FY 2008 Progress on PART Improvement Plan

- *Maintaining a consistent set of performance indicators to measure progress toward achieving long-term goals and developing a valid performance management tracking system for collecting data.* The program evaluation work on the review of the agency's' existing performance measures and the pilot testing of proposed intermediate measures have been completed. ODEP will be assessing the viability of the proposed recommendations related to the intermediate outcome measures and data tracking system.

• *Conducting a rigorous evaluation to assess the impact and effectiveness of the program's policy and coordination functions.* ODEP and the contractor developed a set of intermediate outcome measures and pilot tested the use of a performance measurement system that generates valid and reliable data and evidence to assess the long-term impact and effectiveness of the agency's efforts.

"Evaluation of ODEP Performance Measures," September 2008 (Eastern Research Group)	
Relevance: The evaluation designed and tested a performance measurement system to assess the impact and effectiveness of ODEP's policies and initiatives utilizing tools recommended in the prior review of ODEP's performance measures and incorporating information from findings and proposed recommendations around the various outcome measures.	
Findings and Recommendations: • The intermediate outcome measures developed as a result of the pilot indicate increased knowledge and adoption/implementation of ODEP policies and effective practices that can be linked to ODEP's output measures and long-term outcome measures. • ODEP should integrate performance measurement into its management and implementing a long-term measure (Most Significant ODEP-Related Changes in systems and entities affecting employment opportunities for persons with disabilities) to link to intermediate outcomes and inform an estimation of ODEP's impacts.	***Next Steps:*** • ODEP will continue to track its annual performance using three output measures: the number of policy documents, the number of formal agreements, and the number of effective practices. • ODEP intends to expand the pilot testing of intermediate outcome measures that can be linked to annual output measures and build into long-term outcome measures.
Additional Information: The report is available at http://www.dol.gov/odep.	

"Case Study Research on the Effect of Employer Practices on Workers with Disabilities," September 2008 (Syracuse University-Burton Blatt Institute)	
Relevance: The researchers conducted case studies of companies to identify how organizational structures, values, policies and routine practices affect the employment of people with disabilities (e.g., with respect to recruiting, hiring, retaining, and promoting people with and without disabilities). This multi-case analysis identified strategies and best practices across companies that promote the employment of people with disabilities and create inclusive cultures for all diverse employees. This analysis will establish a standard method of research for future case studies that will facilitate benchmarking.	
Findings and Recommendations: • Return to work management services viewed as very effective by 5 of 6 companies surveyed. • Top management commitment to hire was rated moderately high by majorities in 6 companies. • Fairness of work arrangements and HR practices was rated moderately high across companies. • Perceived organization support was rated moderately high. • Job satisfaction rated moderately high, although lower for people with disabilities in 5 companies.	***Next Steps:*** • Widely disseminate the findings through the internet, in presentations, and in common business literature. • Develop messaging for ODEP's outreach efforts with employers. • Incorporate into ODEP's "Business Case for the Employment of People with Disabilities" • Develop and promote the case studies for inclusion in MBA curricula across the country.
Additional Information: The report is available at http://www.dol.gov/odep.	

Data Quality and Top Management Challenges

Data quality for this goal is rated *Good*.[42] ODEP relies on contracted external independent evaluators to validate the data collection systems that support ODEP's performance measures. As ODEP continues to implement its strategic and performance plan, data quality will be improved to ensure uniform guidelines for collecting and reporting data as well as increasing their validity in measuring program performance.

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

Maximize regulatory flexibility and benefits and promote flexible workplace programs.

Performance Goal 08-2H (OASP)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2006 Goal Achieved	FY 2007 Goal Achieved	**FY 2008 Goal Achieved**
Percent of identified significant regulations that are reviewed or withdrawn	Target	90%	92%	**94%**
	Result	92%	95%	**95%**
	*	Y	Y	**Y**
Percent of economically significant regulations that maximize net benefits	Target	—	—	**88%**
	Result	—	—	**100%**
	*	—	—	**Y**
Percent of participating employers who create or enhance a flexible workplace practice	Target	—	62%	**68.5%**
	Result	—	65%	**68.8%**
	*	—	Y	**Y**

Source(s): DOL's Spring 2007 Regulatory Agenda (initiatives supplied by DOL agencies) and Women's Bureau Best Practice intake forms.
Legacy Data: Some indicators not shown for FY 2004-06. Complete indicators, targets and results for FY 2004-06 are available in the FY 2006 report at http://www.dol.gov/_sec/media/reports/annual2006/PGD.htm. See Performance Goal 06-4.2A.
Note: Costs of achieving DOL's results in maximizing regulatory flexibility are distributed throughout the department's regulatory agencies, as it is part of their costs of operations.

Program Perspective and Logic

The Office of the Assistant Secretary for Policy (OASP) coordinates and tracks DOL's achievement of this goal in part through its role in directing the compilation and publication of the Department's Annual Regulatory Plan and Semi-Annual Regulatory Agenda. The Agenda delineates all the regulations DOL expects to have under consideration for publication, proposal, or review during the coming one-year period. The focus of Departmental regulatory activity will be on the development of effective rules that advance the Department's goals and that are understandable and usable to the employers and employees in all affected workplaces.

With OASP's assistance, DOL regulatory agencies establish plans and procedures to prioritize regulatory initiatives that support this goal. Most of the items on the Agenda are required to implement new statutory requirements, court decisions, or policy and program priorities related to the Department's other strategic goals. OASP is responsible for establishing the guiding principles DOL agencies must follow when developing regulations, including encouraging the use of cost-benefit analysis, risk assessment, and performance-based regulatory standards, as well as reviewing DOL regulations to ensure they do not impose any unnecessary barriers.

The *"Flex-Options"* project, sponsored by DOL's Women's Bureau, encourages business owners to develop workplace flexibility policies and procedures for all of their employees, such as telecommuting, job sharing, and compressed work week schedules. Employers learn about effective workplace flexibility through one-to-one mentoring relationships with corporate executives who have had positive experiences with such practices and from others who have years of experience in designing workplace flexibility practices.

Each indicator for this performance goal measures DOL's progress in promoting flexibility in ways that are crucial to a competitive workforce: regulatory and workplace flexibility. The regulatory flexibility indicators ensure that DOL's regulation review plan emphasizes flexibility. It is based on meaningful criteria that, where feasible, reflect public input and correct existing regulatory practices that are duplicative, obsolete, or not cost-effective. All interested members of the public are invited and encouraged to let Departmental officials know how regulatory efforts can be improved, and to comment on the regulations listed on the agenda. Wherever appropriate, DOL will follow up with changes to reduce regulatory burden to improve productivity and competitiveness, while simultaneously protecting worker rights, benefits and safety. The workplace flexibility indicators ensure that DOL highlights and publicizes best practices of flexible workplaces and model flexibility practices.

External factors impacting performance for this goal include court decisions and legislation that mandate regulatory changes or that require drafting new regulations within certain time frames. These unexpected regulatory projects must be given priority and, therefore, can disrupt the progress of other regulatory projects already underway. The Pension Protection Act of 2006 and the MINER Act are examples of legislation that required regulatory actions be completed in a timely manner in response to statutory requirements.

Analysis and Future Plans

During FY 2008, the Department had 40 items on its regulatory agenda that were relevant to this performance goal and took action on 38 of them (95 percent), exceeding the target of 94 percent. Actions included publishing notices of proposed rulemaking, final rules, interim final rules, etc. In each case, DOL agencies pursued actions that maximized net benefits, promoted regulatory flexibility, and/or replaced obsolete provisions with regulations that reflect current technology and market conditions and address present-day business practices. In addition, this initiative focuses on acting on economically significant regulations that maximize net benefits. In FY 2008, the Department acted on 100 percent of these regulations. In FY 2008, the *"Flex-Options"* project reached its target with 68.8 percent of participating employers creating or enhancing their workplace practices.

Progress on this goal requires continuous adaptation of the Department's existing and proposed regulations to changing work environments, technology and market conditions. This includes ensuring that employment-related laws, regulations, and regulatory practices and variances that form the regulatory environment do not inhibit non-traditional work arrangements (e.g., telecommuting, job sharing, and flexible schedules). OASP and the Department's regulatory agencies, including the Occupational Safety and Health Administration, Mine Safety and Health Administration, Employment Standards Administration, and the Employee Benefits Security Administration, will continue to conduct comprehensive reviews of key laws, regulations and other instruments to determine their effectiveness and applicability to the new workplace, and to respond to outside recommendations for regulatory reform such as those of the Small Business Administration's Office of Advocacy.

PART, Program Evaluations and Audits

OASP has not been subject to a PART review.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Good*.[43] Data and results are not estimated, but are based on reporting from public actions taken as part of the rulemaking process. Regulatory data are taken directly from the Department of Labor's Semi-Annual Regulatory Agenda. Items are added to the Regulatory Agenda through a transparent process that begins with the agency identifying provisions on which they propose to focus. After a rigorous Departmental review and clearance process, the approved items are added to the Department's Regulatory Agenda, which is published in the *Federal Register* each Spring and Fall. Data for the flexible workplace measure are reported by the regions based on the number of programs or policies created or enhanced by participant companies. Data are cross checked and verified at the regional and national level.

To identify performance data that better represent the desired outcomes, particularly with respect to the Department's regulatory agenda, OASP undertook a review of all agency data collection efforts. The review enhanced working relationships with all program agencies and led to more uniform and consistent data reporting. OASP plans to routinely conduct such a review to maintain improvements in data quality and working relationships with the various program agencies.

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

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

Performance Goal 08-2I (ILAB)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2006 Goal Achieved	FY 2007 Goal Achieved	**FY 2008 Goal Achieved**
Number of children prevented or withdrawn from exploitive child labor and provided education and/or training opportunities as a result of DOL-funded child labor elimination projects	Target	178,000	139,000	**127,400**
	Result	236,663	216,438	**161,047**
	*	Y	Y	**Y**
Number of countries with increased capacities to address child labor as a result of DOL-funded child labor elimination projects	Target	39	31	**33**
	Result	55	48	**45**
	*	Y	Y	**Y**
Goal Net Cost (millions)		$95	$101	**$79**

Source(s): Grantee progress reports and other project monitoring sources.
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. Costs are not allocated to indicators because program activities are not separable into categories associated with one or the other.

Program Perspective and Logic

The Bureau of International Labor Affairs (ILAB) contributes to the elimination of the worst forms of child labor internationally through its Congressionally-mandated research on child labor, efforts to increase public awareness of the issue, and support of projects to eliminate exploitive child labor and increase access to quality basic education around the world. DOL-funded international child labor projects provide educational and other services to child laborers, at-risk children, and their families; assist in strengthening national labor and education infrastructures, resources, and policies relating to child labor; and undertake research initiatives to better understand the issue and inform ongoing and future efforts to address it. ILAB currently provides funding to 40 grantees working in 61 countries worldwide.

ILAB measures its success towards meeting this performance goal through two indicators. "Children withdrawn" refers to those who have been removed from exploitive labor and enrolled in educational programs; "children prevented" are at-risk children who have been provided education services to keep them from entering exploitive labor. The second measure captures ILAB's success in promoting national-level actions such as legislation aimed at eliminating exploitive child labor and the integration of child labor concerns in governments' anti-poverty and economic development programs. ILAB establishes annual targets for its two indicators through analysis of baseline information, individual project targets,

These children live in a fishing community in the Ga District of Ghana and are at high risk of being trafficked. As beneficiaries of a DOL-supported anti-trafficking project, these children were provided educational stipends so that they could attend formal schools, and their parents participated in skills training and livelihood activities to increase household income. Photo credit: ILO/IPEC past performance, and external factors. ILAB's FY 2008 target for the withdrawal and prevention indicator is lower than its FY 2007 result due to the dollar's devaluation, and, in some cases, the targeting of difficult-to-reach children needing more costly interventions, such as child victims of trafficking.

In FY 2008, 90 percent of the funding for DOL's child labor program directly contributed to ILAB's two performance indicators; remaining funds contributed indirectly through administrative, oversight, and research functions. Various external factors influence ILAB's targeted outcomes, many of which are inherent to implementing programs in developing countries. Civil unrest, natural disasters, economic shocks, exchange rate fluctuations, frequent changes in governments, and poor infrastructure can impact the progress of project implementation.

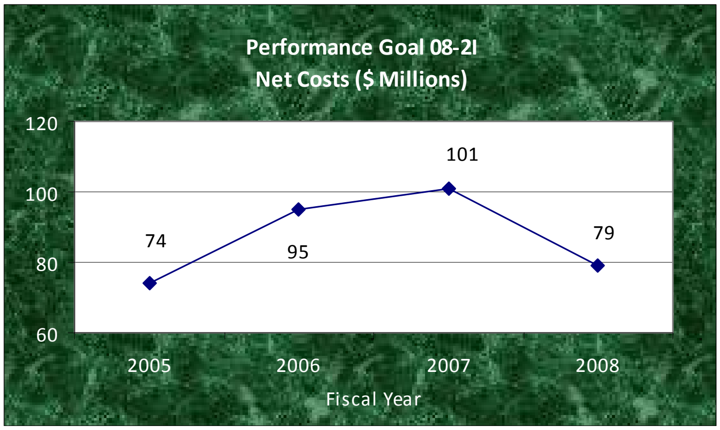
Analysis and Future Plans

This goal was achieved. During FY 2008, DOL-supported projects withdrew or prevented 161,047 children from exploitive labor by providing education and/or training opportunities. This brought to more than 1.2 million the total number of children rescued from exploitive labor around the world as a result of DOL assistance since 1995. Children served by these projects were working or at risk of working in mines, plantations, manufacturing workshops, garbage dumps, brick kilns, and other hazardous types of work. Others had been exploited or were at risk of exploitation in the worst forms of child labor such as trafficking, debt bondage, forced labor, and commercial sexual exploitation.

Before being enrolled at the age of 11 in a DOL-supported project in El Salvador, Miguel would wake up at dawn to spend a long day harvesting shellfish with his father. He worked long hours, digging deep with his bare hands into the mud of mangrove swamps to extract the shellfish. To repel the mosquitoes and other insects, Miguel smoked cigars. In addition – like the other children working in the swamps – he took pills to stave off exhaustion from the arduous work. Today, thanks to funding provided by DOL, Miguel and over 35,000 other Salvadoran children have been given another chance in life. In addition to removing children from the worst forms of labor or reducing the risk of their involvement in these types of labor, the project helps transform the education system and attitudes towards education in the communities it serves. Teaching materials from this project were so popular among teachers that the Ministry of Education used them as a model for social studies curricula through the third grade. The Ministry also assumed responsibility for 90 after-school centers established by the project after it ended. Photo credit: ILO/IPEC

During FY 2008, through technical support and outreach from DOL-funded projects, 45 countries increased their capacity to eliminate the worst forms of child labor. For example, in Cambodia, using technical input from a DOL-funded project, employers' organizations adopted a Code of Conduct for Employers Against Child Labor. In Rwanda, DOL-funded projects helped the government incorporate the issue of child labor into its national poverty reduction strategy framework as a matter of priority. The Department is funding a national child labor survey that will serve as a basis for developing and implementing a Rwandan child labor policy. Finally, in Guatemala, a DOL project facilitated the government's approval of the United Nations Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others.

In FY 2009, ILAB will strengthen its project evaluation process, focusing on two main areas. First, ILAB will develop a methodology to test the impact of various direct interventions to gain a better understanding of what approaches are most effective in removing children from hazardous work and retaining them in education programs. Second, ILAB will intensify efforts to use evaluation findings to improve the design, implementation, and sustainability of new and ongoing projects.



The fluctuation in costs associated with this performance goal reflect changes in ILAB's appropriations for international child labor elimination projects from FY 2002-08 and typical lags between funding and expenditures. Annual appropriations for ILAB peaked in FY 2002-04 at approximately $82 million per year before declining slightly in FY 2005 and over 25 percent in FY 2006. This reduced level continued through 2008. In keeping with this trend, ILAB experienced an increase in expenditures from FY 2005-06 and a 22 percent decrease in expenditures from FY 2007-08.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2004	*Adequate*	http://www.whitehouse.gov/omb/expectmore/summary/10002384.2004.html

FY 2008 Progress on PART Improvement Plan

- *Conducting a comprehensive evaluation of the program's technical assistance activities to assess the programs' overall impact and effectiveness, including program sustainability.* A third-party evaluation of the impact and effectiveness of ILAB's child labor technical cooperation program is ongoing. It employs a mixed methodology of surveys, interviews and site visits. The final report is scheduled for completion in the fourth quarter of FY 2009.
- *Reconsidering the agency's role in government-wide international assistance efforts*. ILAB anticipates that the results of the ongoing evaluation will inform policymakers in their review of the agency's future role and responsibilities. The evaluation results will be available in the fourth quarter of FY 2009.
- *Implementing a cost-efficiency performance measure to reflect ILAB's policy functions.* ILAB is working to include the cost-efficiency measure in the 2010 Budget.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Excellent*.[44] ILAB, which does not have an overseas presence, has developed a multi-pronged strategy for monitoring data quality and project performance. This includes semi-annual project-level financial and technical progress reports, performance monitoring plans, and mid-term and final project evaluations. In addition, financial and performance-related attestation engagements are being conducted by a private certified public accounting firm on many DOL-funded child labor projects. These attestation engagements review data to ensure that grantees are reporting results based on ILAB-established definitions, and that the data are supported by adequate records and observation. When issues in reporting are identified, grantees are required to provide a corrective action plan to revise the data as necessary.

To strengthen project oversight, ILAB introduced a new internal monitoring tool in FY 2008 through pilot accountability reviews. These reviews include assessments of reliability and validity of performance data as well as compliance with OMB circulars, DOL policies, ILAB Management Procedures and Guidelines, and the terms of grantees' Cooperative Agreements.

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

Strategic Goal 3: *Safe and Secure Workplaces*

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

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

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

DOL employs a broad range of expertise – from front-line investigators to strategic decision makers – to administer these laws and to educate employers and the public. Performance goals and targets for this strategic goal focus on the effectiveness of these enforcement efforts and compliance programs. Here are a few highlights of FY 2008 results:

For Workers

- In workplaces covered by the Occupational Safety and Health Act, the fatality rate and the injury and illness rate both decreased, which means fewer workers suffered from conditions caused or worsened by their work environment.
- In mines, the fatality rate and the all-injury and illness rate both decreased to six-year lows.

For Employees of Federal Contractors

- The discrimination rate among audited contractors rose but remained below two percent.
- Compliance rates among audited contractors dipped by one percentage point to 87 percent compliance rate.

For Returning Veterans

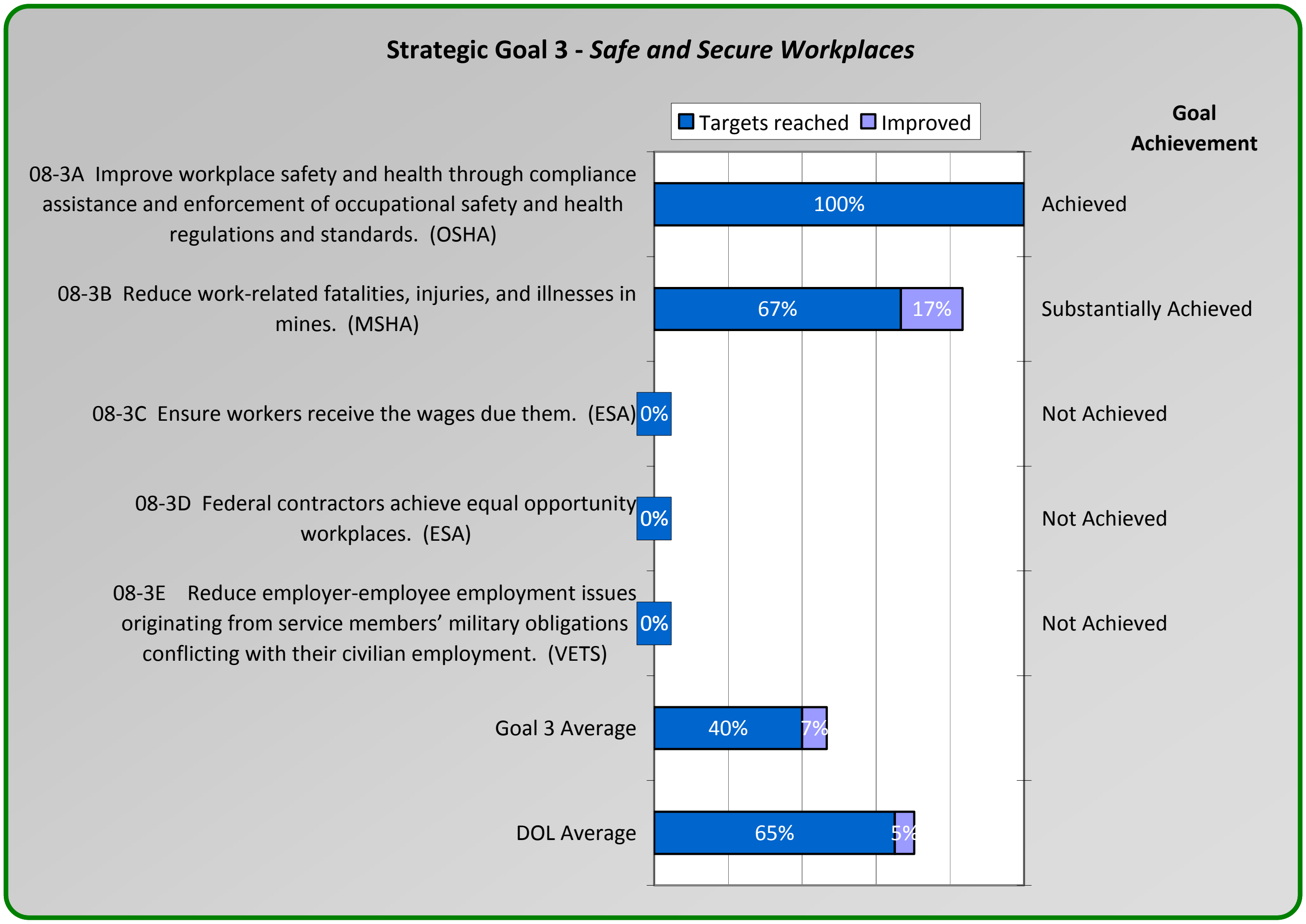
- Claims under the Uniformed Services Employment and Reemployment Rights Act increased by 15 percent and meritless claims increased by 29 percent from last year.
- Employer violations decreased by seven percent.

For more specific information, see the Performance Goal narratives.

The chart below presents FY 2008 achievements as measured by performance goals and indicators. The performance goal number, goal statement, and responsible agency appear on the left axis, the total percentage of indicator targets reached or improved is indicated

In 2006, ESA's Wage and Hour Division's (WHD) Los Angeles District Office began a concentrated effort to increase compliance in the local car wash industry – a low wage industry that displayed all the characteristics of an underground economy. Workers were paid in cash, some "under the table." WHD embarked on an aggressive strategy employing enforcement techniques and compliance assistance initiatives to promote industry-wide compliance with the minimum wage and overtime provisions of the Fair Labor Standards Act. By 2008, WHD was working with the Western Car Wash Association (WCWA) to expand its outreach to employers. The agency gave compliance presentations to hundreds of car wash operators throughout the Western and Southwestern regions of California. The WCWA, in turn, added a link to the agency's Web site to help its members access compliance information. WHD's enforcement investigations yielded hundreds of thousands of dollars in back wages for low-wage workers. For example, a Northridge car wash was ordered to pay $160,000 in back wages to 84 workers and a Santa Monica car wash paid $100,000 in back wages to 55 employees following an investigation. Photo credit: DOL/ESA.

in the horizontal bars, and the goal result is on the right axis. Corresponding strategic goal and DOL-wide averages are presented at the bottom of the chart. If the goal is achieved, the bar will run all the way across because, by definition, all indicator targets were reached. If the goal is substantially achieved, the total can range from 80 percent to 100 percent and includes indicators for which the target was not reached, but results improved over the previous year.



For Strategic Goal 3, DOL achieved just one of five performance goals (20 percent), below the Department-wide average of 50 percent. OSHA achieved its goal by reaching targets for reducing the workplace injury and illness rate and the fatality rate. MSHA did not achieve its performance goal; however, it reached targets for four of six performance indicators, including reducing fatality and injury rates. ESA's Wage and Hour Division did not reach its four targets (goal not achieved). ESA's Office of Federal Contract Compliance Programs did not reach either of its two targets, therefore did not achieve its goal. VETS' goal for protecting employment and re-employment rights of service members was not achieved, either; a spike in claims led to a decline in its comprehensive Progress Index.

The following table provides net costs for all performance goals and indicators associated with this strategic goal.[45]

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

Goal or Indicator	Net Costs ($Millions)[46]		
	FY 2006 PY 2005	FY 2007 PY 2006	FY 2008 PY 2007
Strategic Goal 3: *Safe and Secure Workplaces*	**$1,189**	**$1,237**	**$1,281**
Performance Goals 08-3A (OSHA) Improve workplace safety and health through compliance assistance and enforcement of occupational safety and health regulations and standards.	519	547	554
Days away, restricted and transferred (DART) per 100 workers *Workplace fatalities per 100,000 workers for sectors covered by the OSH Act*	*519*	*547*	*554*
Performance Goal 08-3B (MSHA) Reduce work-related fatalities, injuries, and illnesses in mines.	348	356	388
Mine industry fatalities per 200,000 hours worked	–	*121*	*132*
Mine industry injuries per 200,000 hours worked	–	*107*	*116*
Percent of respirable coal dust samples exceeding the applicable standards for designated occupations	–	*50*	*58*
Percent of silica dust samples taken with a result that is less than half of the exposure limit in metal and nonmetal mines	–	*35*	*35*
Percent of noise samples taken with a result that is less than half of the exposure limit in metal and nonmetal mines	–	*18*	*16*
Percent of noise exposures above the citation level in coal mines	–	*25*	*31*
Dollars not associated with indicators	*348*	–	–
Performance Goal 08-3C (Wage and Hour) Ensure workers receive the wages due them.	214	221	227
Number of workers for whom there is an agreement to pay or an agreement to remedy per 1,000 enforcement hours in complaint cases	*112*	*123*	*123*
Percent of prior violators who achieved and maintained FLSA compliance following a full FLSA investigation	*27*	*30*	*30*
Low wage workers assisted per 1,000 case hours	*39*	*45*	*38*
Number of wage determination data submission forms processed per 1000 hours	*23*	*23*	*35*
Dollars not associated with indicators	*12*	–	–
Performance Goal 08-3D (Federal Contractor Compliance) Federal contractors achieve equal opportunity workplaces.	97	103	102
Discrimination rate for audited Federal contractors	*68*	*72*	*71*
Compliance rate for all other EEO requirements	*29*	*31*	*31*
Performance Goal 08-3E (USERRA) Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment.	11	10	10
USERRA Progress Index (measures compliance and assistance performance)	*11*	*10*	*10*

[46] Net cost as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis.

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

OSHA

Performance Goal 08-3A (OSHA)

Indicators, Targets and Results

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

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

Legacy Data: Some indicators not shown for FY 2003-06. 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 Goals 06-3.1C and 06-3.1D.

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. Costs are not allocated to OSHA's two performance indicators because the same activities contribute to reductions in fatality and injury/illness indicators, i.e., their costs are not separable. Calendar year is designated by "CY."

Program Perspective and Logic

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

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

OSHA tracks the DART and fatality rates to develop targeted national and local programs and to measure performance. The agency's long-term goals are to reduce the injury and illness rate by 15 percent between CY2005-2011 and the workplace fatality rate by 11 percent between FY 2006-2011. OSHA creates fiscal year estimates from the published BLS Survey of Injuries and Illnesses (calendar year) rates of injuries and illnesses involving days away from work, job restriction, or job transfer (DART). OSHA's own Integrated Management Information System is used to track fatalities and other data for management purposes. Other factors that affect achievement of this performance goal include national economic indicators such as employment, changes in technologies, and workforce characteristics.

Analysis and Future Plans

OSHA reached both indicator targets and achieved its goal. This year, the rate of injuries and illnesses involving days away from work, job restriction, or job transfer declined to an estimated 2.0 cases per 100 workers from last year's rate of 2.1 cases, and the fatality rate for sectors covered by the Occupational Safety and Health Act declined to 1.57 fatalities per 100,000 workers from the FY 2007 rate of 1.58.

In March 2008, the agency identified combustible dust as a workplace safety priority. OSHA subsequently sent a letter and Safety and Health Information Bulletin entitled "*Combustible Dust in Industry: Preventing and Mitigating the Effects of Fire and Explosions,*" to almost 30,000 workplaces within industries that often face the potentially deadly hazard of combustible dust. The letter emphasized the importance of complying with all applicable OSHA standards, in particular those relevant to combustible dust. The letter also encouraged employers to make use of OSHA's on-site consultation program, which offers free and confidential occupational safety and health advice to small and medium-sized businesses. Such measures support OSHA's mission to promote employee safety and health and reduce occupational injuries and illnesses.

Since its inception in 2002, OSHA's Alliance Program has become an integral part of OSHA's strategies to reduce workplace fatalities, injuries and illnesses. Through the Alliance Program, OSHA works with groups committed to safety and health, including business, trade or professional organizations, unions and educational institutions. These alliances allow the leveraging of resources and expertise to develop compliance assistance tools and share information with employers and employees that help prevent injuries, illnesses and fatalities in the workplace. The Alliance Program has enabled OSHA to work with a number of organizations that were previously reluctant to work cooperatively with the Agency.
Photo credit: DOL/OSHA

Contributing to the reduced rate of injuries and illnesses in 2008 were seven National Emphasis Programs (NEPs) and over 100 Local Emphasis Program (LEPs) in areas such as residential construction, logging, and crystalline silica. The agency's Site Specific Targeting Program, which identifies worksites that experience high rates of injury and illness, also contributed to the rate reduction.

In the future, OSHA will use data analysis from the new OSHA Information System database to better target where injury and illnesses are occurring and to build its operating plan around these areas.

The costs associated with this performance goal increased by two percent between FY 2007 and FY 2008 due to budgetary increases for pay adjustments and personnel benefits and other administrative costs.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2007	*Adequate*	http://www.whitehouse.gov/omb/expectmore/summary/10000336.2007.html

FY 2008 Progress on PART Improvement Plan

- *Completing regulatory reforms identified in the 2005 Report to Congress on the Costs and Benefits of Federal Regulation.* OSHA is on track to publish notices of proposed rulemaking for Hazard Communication Training, Hazard Communication/Material Safety Data Sheets, Walking and Working Surfaces (which includes the Guardrails Around Stacks of Steel requirement), and Annual Training Requirements for Separate Standards.
- *Developing the OSHA Information System to improve data collection.* In FY 2008, the OSHA Information System Team worked with 175 potential users of the system to test 20 percent of the system's capabilities. The System, which will

enhance data collection, data access, and information dissemination for the entire Agency, is scheduled for full deployment by September 30, 2010.

- *Conducting rigorous independent evaluations to examine the relative effectiveness and efficiency of programmatic approaches.* In response to recommendations resulting from rigorous independent evaluations, in FY 2008, the agency developed the second version of a user manual for the OSHA Strategic Management Tool. The tool will help OSHA use historic and current workplace demographics and occupational injury and illness experience to predict industry-level outcomes and to improve strategic management planning. Additionally, OSHA is considering developing an evaluation framework so that program evaluation findings can be used as data inputs to the tool.

"EPA and OSHA Could Improve Their Processes for Preparing Communication Products," March 2008 (Government Accountability Office)	
Relevance: GAO examined how OSHA and the Environmental Protection Agency (EPA) develop new communications products, including the general processes used to prepare products and how these processes compare to those for rulemaking and how recent administration initiatives may affect them.	
Findings and Recommendations: • GAO recommended that OSHA and EPA ensure their key general processes for preparing communication products are documented, made publicly available, and include time frames or benchmarks, where appropriate.	***Next Steps:*** • OSHA will develop key general policies and procedures for preparing communication products and make these procedures available to the public. It will review and disseminate these products in a timely manner. • OSHA will develop a communications plan for optimal dissemination of the final product.
Additional Information: The report (GAO-08-265) is available at http://www.gao.gov/new.items/d08265.pdf.	

"OSHA Strategic Management Tool, Version 1.5," December 2007 (Eastern Research Group)	
Relevance: The report consists of the second version of a user manual for the OSHA Strategic Management Tool. The Tool will help the agency use historic and current workplace demographics and occupational injury and illness experience to predict industry-level outcomes and to improve strategic management planning. It is also part of the agency's PART Improvement Plan.	
Findings and Recommendations: • OSHA made significant strides in addressing the objective of improving data timeliness and integration. Version 2 of the Tool moves OSHA closer to an integrated data system. • ERG recommended that OSHA develop an evaluation framework to establish input and output parameters and methodologies to enable program evaluations to be used as data inputs to the Tool.	***Next Steps:*** • OSHA will continue to implement refinements to and issue updated versions of the Tool.
Additional Information: The report is available by contacting OSHA's Office of Evaluations & Audit Analysis at 202-693-2400.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Good*.[47] For the fatality goal, the agency relies on its Integrated Management Information System (IMIS) for fatality data and BLS Current Employment Statistics for employment data. IMIS data provide the best count of fatalities under OSHA jurisdiction. The IMIS and the BLS Current Employment Statistics data are complete, reliable, accurate, and verifiable. IMIS, which has numerous automated quality control and edit checks, uses a well-defined and tested protocol for counting. For the injury and illness goal, the agency uses data from the BLS Annual Survey of Occupational Injuries and Illnesses. While this survey provides the most comprehensive and reliable injury and illness data currently available on a national level, results are not available until nine and a half months after the end of the calendar survey year. Consequently, OSHA's estimate for the fiscal year is a projection based on available data from calendar year 2003 onward. In September 2008, the GAO launched a study of OSHA's efforts to ensure the accuracy of reported injury and illness rates. The study will

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

focus on how OSHA's injury and illness data are collected and reported, and will assess other studies that have analyzed the accuracy of OSHA injury and illness data.

Collecting complete and comprehensive data on OSHA's Voluntary Programs remains a challenge for the Department (see *Protecting the Safety and Health of Workers* in the Top Management Challenges section of Management's Discussion and Analysis). While OSHA's voluntary compliance programs yield many positive outcomes, the OIG found that much of the agency's data are limited. Also, GAO recommended that OSHA identify cost-effective methods of collecting complete and comparable data on program outcomes. In response, OSHA now collects more complete data on voluntary programs as a result of program refinements and is developing a new OSHA Information System – to be completed in September 2010. The new system will alert Consultation Program Officers of employers with serious workplace hazards requiring OSHA enforcement action. The new system will not allow the officers to grant extensions of the deadline for addressing the hazard unless the employers have provided appropriate interim protections for their employees.

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

Performance Goal 08-3B (MSHA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2003 Goal Not Achieved	FY 2004 Goal Substantially Achieved	FY 2005 Goal Not Achieved	FY 2006 Goal Not Achieved	FY 2007 Goal Substantially Achieved	**FY 2008 Goal Substantially Achieved**
Mine industry fatalities per 200,000 hours worked	Target	.020	.022	.022	.021	.0201	**.0191**
	Result	.023	.017	.018	.022	.0200	**.0159****
	*	N	Y	Y	N	Y	**Y**
	Cost	—	—	—	—	$121	**$132**
Mine industry injuries per 200,000 hours worked	Target	3.79	3.85	3.48	3.13	2.82	**3.41**
	Result	4.34	4.07	3.93	3.72	3.50	**3.19****
	*	N	N	N	N	I	**Y**
	Cost	—	—	—	—	$107	**$116**
Percent of respirable coal dust samples exceeding the applicable standards for designated occupations	Target	14.2%	11.1%	10.1%	9.5%	9.0%	**11.5%**
	Result	11.7%	10.2%	10.8%	11.3%	12.20%	**10.31%**
	*	Y	Y	N	N	N	**Y**
	Cost	—	—	—	—	$50	**$58**
Percent of silica dust samples taken with a result that is less than half of the exposure limit in metal and nonmetal mines	Target	—	—	—	—	75.5%	**31.18%**
	Result	—	—	—	—	31.82%	**31.33%**
	*	—	—	—	—	Y	**I**
	Cost	—	—	—	—	$35	**$35**
Percent of noise samples taken with a result that is less than half of the exposure limit in metal and nonmetal mines	Target	—	—	—	—	71.3%	**64.23%**
	Result	—	—	—	—	65.54%	**57.03%**
	*	—	—	—	—	Y	**Y**
	Cost	—	—	—	—	$18	**$16**
Percent of noise exposures above the citation level in coal mines	Target	—	—	baseline	5.0%	4.8%	**3.59%**
	Result	—	—	5.3%	4.4%	3.66%	**4.55%**
	*	—	—	N	Y	Y	**N**
	Cost	—	—	—	—	$25	**$31**
Goal Net Cost (millions)		—	—	$307	$348	$356	**$388**

Source(s): Mine Accident, Injury, and Employment information that mine operators and non-exempt contractors report to MSHA under Title 30 Code of Federal Regulations Part 50, dust samples collected by MSHA inspectors; Coal Mine Safety and Health MIS, and Metal and Non-Metal Mine Safety and Health MIS.

Legacy Data: Some indicators not shown for FY 2002-06. 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 Goals 06-3.1A and 06-3.1B.

Note: In FY 2003-06, MSHA had separate safety and health goals and in FY 2005, OSHA and MSHA shared performance goals. Achievement is restated as if there had been a single MSHA goal. 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 Mine Safety and Health Administration's (MSHA) mission is to protect the safety and health of the nation's miners under the provisions of the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act).

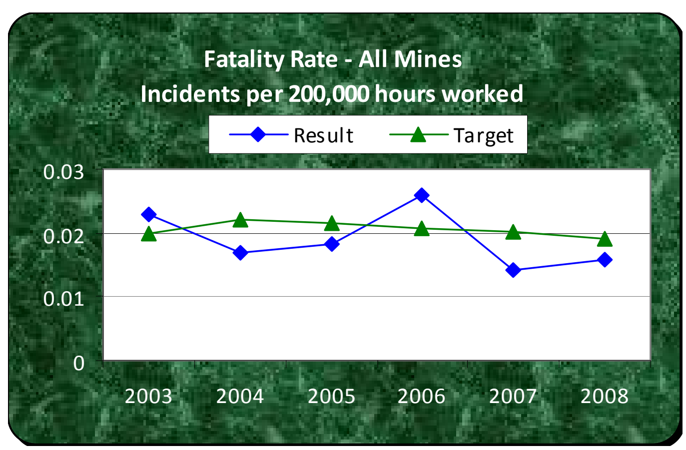
Simulating real events and emergencies is one of the most effective ways to train people. Recognizing this, MSHA created concrete burn pads to give fire brigade and mine rescue team members hands-on experience using different devices in fighting fires in a mining environment. Prior to the hands-on experience, trainees must complete classroom training on fire classifications, firefighting equipment, and various hazards such as electrical shock, toxic and asphyxiating gases, oxygen deficiency, and explosive gases. Photo credit: DOL/MSHA

Since the earliest days, the job of mining coal and other useful materials out of the earth has been one of the world's most dangerous occupations. Public concern about the fatalities, injuries and destruction resulting from mine accidents prompted passage of much-needed safety legislation, and intensified the search for safer mining methods and improved training practices and technology. Growing cooperation among industry, labor and government also has contributed to making mining safer and more healthful.

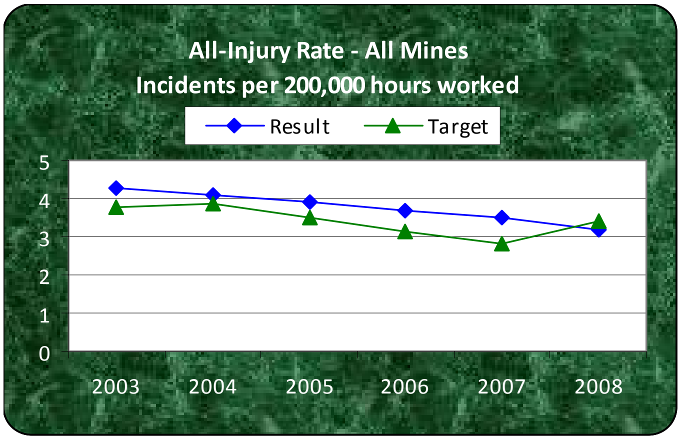
Mining deaths and injuries have significantly declined over the past 30 years. In 1978, the first year MSHA operated under the Mine Safety and Health Act of 1977, 242 miners died in mining accidents. Last year, in 2007, 67 fatalities were reported. Despite this decline, however, the current fatality and injury numbers (and frequency rates) remain unacceptable. In FY 2008, MSHA implemented its *100 Percent Inspection Plan* and accomplished its goal of completing every required inspection at every mine throughout the country. MSHA uses incidence rate indicators – the number of fatalities and injuries per 200,000 hours worked by miners – to assess the effectiveness of its efforts to protect the safety of the nation's miners. These rates reflect not only the number of fatalities and injuries, but also the amount of time (hours worked) miners are exposed to potential hazards. There are two sets of health indicators for this performance goal, which target reductions to exposures to noise and dust in coal mines, and reductions in low-level exposure samples taken for noise and silica in metal and non-metal (M/NM) mines. These indicators address significant health risks to miners; noise exposure is a major health concern because it may lead to hearing loss, and exposure to coal and silica dust may cause lung disease such as pneumoconiosis (black lung) among coal miners and silicosis among miners in metal and nonmetal mines.

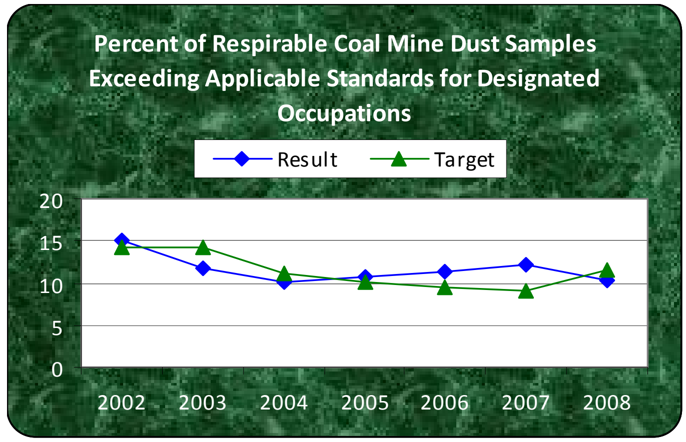
Analysis and Future Plans

MSHA substantially achieved its performance goal, reaching four of six indicator targets, and substantially reaching its silica dust sample indicator target. The fatality incidence rate and all-injury incidence rate targets were reached this year. In addition, the all-injury incidence rate dropped for the fifth consecutive year. Coal mine noise exposure targets were not reached, but the targets for coal dust and M/NM mine noise were reached. MSHA did not reach its target to reduce the percent of coal mine noise exposures above the citation level. Attainment of the coal mine noise target was

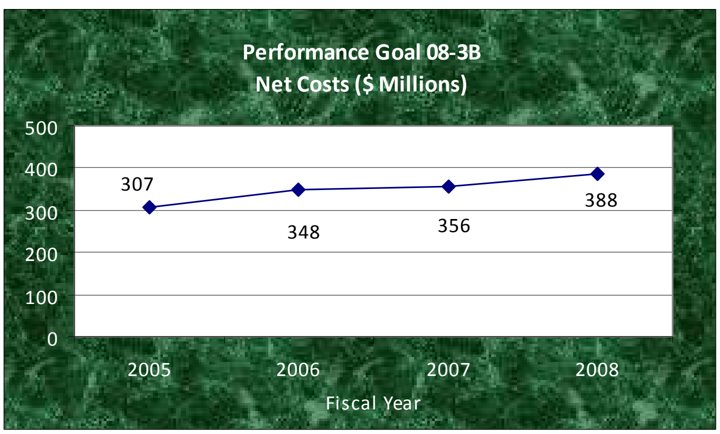


partially linked to increased coal production, which correlates with new mining entities that lack adequate noise controls and more difficult mining processes which generate noise at higher levels.





MSHA made many changes and enhancements in FY 2008; its *100 Percent Inspection Plan* was fully implemented. MSHA increased its presence at mine sites, improved the quality of inspections, implemented a new inspection tracking system, strengthened and updated its citation and penalty structure, and aggressively pursued scofflaw mine operators. MSHA also increased its number of enforcement personnel, and improved inspector training. For example, MSHA increased course offerings and enhanced course content to include new inspection tracking requirements, documentation for roof control files, and oversight of mine Emergency Response Plans. MSHA believes the increased presence of its enforcement staff at the job sites has – and will continue to have – a positive impact on mine safety and health. While many of these changes are a result of the MINER Act, MSHA has also revised other policies and procedures, such as final rules on Mine Rescue Team Equipment and Asbestos, Special Emphasis Programs for Retreat Mining and Respirable Dust, and an Inspection Tracking System which will enhance MSHA's ability to evaluate inspection progress and compliance with procedures.



Costs for this performance goal increased ten percent from FY 2007-08, due primarily to increased enforcement activity in support of the *100 Percent Inspection Plan*. Prior increases (FY 2005-07) are attributed to higher compensation and rent expenses.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2003	*Adequate*	http://www.whitehouse.gov/omb/expectmore/summary/10001101.2003.html

FY 2008 Progress on PART Improvement Plan

- *Implementing the MINER Act of 2006*. MSHA published the final rule on Refuge Alternatives and the final rule on the Utilization of Belt Air and the Composition and Fire Retardant Properties of Belt Material in Underground Coal Mining. MSHA continues to work on wireless communications or tracking systems and continues to review and approve Emergency Response Plans.
- *Completing 100 percent of the required inspections*. MSHA completed all required inspections in FY 2008.
- *Deploying a new Web tool which allows mining companies to review their history and how assessments are broken down.* MSHA activated a new feature on its Web site that provides additional tools to assess the safety performance at mines and which will enable users to access violations per inspection day and repeat violations of the same standard.

"Mine Safety: Additional Guidance and Oversight of Mines' Emergency Response Plans Would Improve the Safety of Underground Coal Miners," April 2008 (GAO)

Relevance: The MINER Act of 2006 requires underground coal mine operators to develop emergency response plans to improve accident preparedness, including providing a refuge of air to miners trapped underground and wireless communications systems. GAO examined the effectiveness of the approval process and the status of implementation of the plans.

Findings and Recommendations:

- GAO recommended that MSHA clarify guidance on requirements for key components of Emergency Response Plans; and that MSHA ensure that district offices are consistently applying MSHA guidance on approving and enforcing Emergency Response Plans.
- GAO also recommended that MSHA and NIOSH jointly develop guidance on how mine operators can meet the June 2009 deadline for wireless communication.

Next Steps:

- Rulemaking on refuge alternatives for underground mines to increase the survival of miners trapped underground will be completed by December 2008.
- Work with NIOSH to evaluate communication technologies and to provide guidance for mine operators on meeting the requirement to provide post accident wireless communication systems is ongoing. Should wireless technology not be commercially available by June 15, 2009, the MINER Act allows for alternative means of compliance.
- In June 2008, MSHA issued guidance to District Managers clarifying requirements for Emergency Response Plans. Plans from mines throughout the country are being reviewed to ensure consistency.
- MSHA will be implementing policy to ensure that repeat violations are captured in a mine's violation history, that the penalty assessment amount reflects that history, and that operators comply with the most protective standards.

Additional Information: The report (GAO-08-424) is available at http://www.gao.gov/cgi-bin/getrpt?GAO-08-424.

Data Quality and Top Management Challenges

Data quality for this goal is rated *Very Good* – an increase from the *Good* rating received in 2007.[48] The OIG and GAO pointed out the lack of data on contractor[49] hours worked at the mine level and recommended that mine operators report all hours worked for both employees and contractors. MSHA could then verify that all data relevant to reported injuries and fatalities have been included. MSHA officials believe that the data on non-exempt contractor hours are sufficient at the national level for calculating the all-injury and fatality rates. However, having contractor data at the mine level could enhance enforcement effectiveness. The OIG also pointed out that some MSHA District or Field offices did not record their noise sample results and some did not record the correct date of the sample results. As a result of this finding, MSHA is implementing and improving its quality controls, to help ensure that the sampling information that they gather is accurately recorded in the management data system. Additionally, MSHA is ensuring that the health sampling procedures in its Health Inspection Procedure Handbooks are implemented through management oversight. In response to previous Major Management Challenges, MSHA created an Office of Accountability and revised the MSHA Accountability Program Handbook, continued to implement the MINER Act, and implemented its succession plan to replace retiring mine inspectors.

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

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

Ensure workers receive the wages due them.

ESA

Performance Goal 08-3C (ESA)

Indicators, Targets and Results

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

Source(s): Wage and Hour Investigator Support and Reporting Database (WHISARD), regional logs and reports on local initiatives, and investigation-based compliance surveys.

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

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

The program's performance objectives are to maximize benefits for the greatest number of workers through efficient complaint resolution, to promote sustained compliance among investigated employers, to increase compliance on behalf of low-wage workers in industries with the most persistent and serious violations, and to issue accurate and timely wage rates for workers on Federally-funded or assisted contracts. WHD balances its enforcement resources among three strategies – compliance assistance, partnerships, and enforcement (complaint-driven and directed investigations). Compliance assistance activities promote voluntary compliance by employers. Partnerships leverage resources and broaden the program's impact. Directed investigations in low-wage industries

– where workers are reluctant to complain – detect, remedy, and deter violations. Complaint investigations serve individual complainants and provide opportunities for detecting and remedying violations on behalf of other employees. The wage determination strategies center on increased wage survey participation, timely processing of wage data submission forms, and effective verification of wage rate information.

The WHD employs targeted strategies of enforcement, compliance assistance, and public awareness to ensure the continued safe employment of young workers. One of the enforcement priorities is to increase compliance in low-wage industries – including compliance with the Fair Labor Standards Act's youth employment provisions. In FY 2008, WHD focused on increasing compliance among employers that hire young workers to load or operate paper balers and compactors. Such hiring is in violation of a hazardous occupation order. Nationwide, local WHD offices targeted establishments that commonly employ minors in violation of the order by mailing compliance assistance materials to employers; investigating retail stores; posting stickers (see photo); and reaching out to shopping mall management companies. To increase public awareness, they trained educators on the law, made public service announcements, hosted rallies, and publicized the agency's *YouthRules!* Web site.
Photo credit: DOL/ESA

WHD measures results for each of its four performance objectives. Performance indicators for complaint resolution and low-wage industry compliance promote efficient investigations and encourage the agency to secure remedies on behalf of all potentially affected workers. Complaint investigations have demonstrated a positive effect on future compliance and directed enforcement initiatives have discouraged recidivism and boosted industry-wide compliance. Efficient handling of complaint and directed investigations can serve to promote compliance. To measure trends in recidivism rates, WHD conducts an annual compliance survey of prior violators. These survey results are used to establish annual goals, assess the agency's impact on employer behavior, and test the effectiveness of various regional strategies on long-term compliance. The wage determination performance indicator tracks efficiencies in the review and analysis of survey data, which in turn drives the goal for improved timeliness of Davis-Bacon Act wage rates.

Changes in employers' and employees' economic security have an impact on compliance with laws enforced by WHD. Factors such as increased competition among employers, higher supply costs, use of multiple levels of subcontracting, and greater use of contingent workers can contribute to employer non-compliance. WHD identified higher levels of unemployment and increased employment of immigrants in low-wage industries as two significant factors affecting enforcement outcomes. Foreign-born workers constituted 15.7 percent of the labor force in 2007 — 47.7 percent of the net increase in the labor force from 2000 to 2007. WHD attributes fewer complaints and greater difficulty in identifying violations to workers' reluctance to discuss compliance issues given these economic trends. In recent years, back wage collections and the number of workers assisted increased despite the declining number of cases and complaints (23 percent since 2003). WHD's recovery levels reflect its targeted enforcement strategy to conduct more resource intensive investigations to secure compliance on behalf of more workers. As a result, investigators are taking longer to complete more complex investigations, as indicated by the FY 2008 result.

Analysis and Future Plans

In FY 2008, WHD set performance targets for the agency's four indicators to improve upon the FY 2007 results. The agency did not reach its established targets in FY 2008. The number of workers assisted per 1,000 enforcement hours in complaint cases, 272 in FY 2008, was higher than the 2007 result of 271 but just under the target of 274. WHD has noted a slight corresponding decrease in the average number of days to conclude a complaint investigation, which may be attributed to complaint resolution strategies, such as training on efficient investigation techniques, reviewing complaint inventories weekly, and shifting investigators to offices with high backlogs, that were implemented in every district office in FY 2008. The increase in resource intensive H-1B complaint cases may also be affecting the result. WHD did not reach its target of 422 workers assisted in low-wage industries per 1,000 enforcement hours. The FY 2008 result was 302 assisted per 1,000 hours. The FY 2007 result for this measure, however, was impacted by one significant case. If that case is excluded, WHD's FY 2007 result would have been 293 workers assisted per 1,000 enforcement hours, and WHD would have realized a three percent increase in FY 2008 for this performance indicator. There are other indications that the agency was more efficient in FY 2008 than previous years. Since FY 2005, for example, WHD has increased the percent of directed investigations with violations by nearly nine percentage points, which demonstrates increased efficiencies in targeting industries and employers with violations. WHD realized a similar increase (2.6 percentage points) in complaint violation cases, which suggests better and more efficient complaint screening and processing.

WHD will continue to integrate the findings of its low-wage evaluation studies into its directed enforcement program. WHD's FY 2009 performance plan maintains an agency-wide focus on identifying and remedying violations that may arise from contingent employment relationships, especially those involving misclassification of employees as independent contractors. Each district office will also develop and refine strategies to ensure that complaint investigations affect compliance on behalf of all workers that may be subject to a violation, and that complaint investigations are resolved in a timely manner. Nevertheless, WHD anticipates that the number of immigrants participating in the workforce and the increase in contingent employment relationships will continue to challenge the agency's effort to affect compliance. These economic and workforce trends, including associated language barriers, complicate WHD's investigations and its ability to meet these efficiency objectives.

WHD continues to see a decline in the percent of prior violators that were found in compliance. The overall level of compliance among prior violators decreased by ten percentage points from 66 percent in FY 2007 to 56 percent in FY 2008. The severity of violations, however, also declined as evidenced by the number of employers that owed less back wages to fewer workers. In FY 2008, WHD increased the sample size of prior violators to test the effectiveness of various regional strategies on recidivism. Each region will continue to refine its strategic approach to increasing compliance among prior violators. Successful re-investigations and compliance strategies will be analyzed, refined, and disseminated as best practices in FY 2009.

Wage determination efficiency also declined in FY 2008. WHD processed 2,246 forms per 1,000 hour in FY 2008 – a 15 percent decline from FY 2007. With the long-anticipated completion of new automated technologies, WHD regional offices shifted their focus from processing new survey forms to processing a backlog of data submission forms from pending surveys that have been on hold while the automated systems were being implemented. The backlogged data submission forms required staff to perform a more complex time-consuming review than newer survey data forms. As a result, the number of forms processed decreased and the time for processing forms increased in FY 2008. The survey backlog will be eliminated by the end of calendar year 2008, and WHD should see rapid improvements in the rate at which survey data submission forms are processed.

Net costs for this performance goal rose slightly from PY 2004-07, reflecting increases in salaries and expenses.

PART, Program Evaluations and Audits

PART Year	Rating	
2006 (Enforcement and Compliance)	*Moderately Effective*	PART Findings and Improvement Plan: http://www.whitehouse.gov/omb/expectmore/summary/10003908.2006.html

FY 2008 Progress on PART Improvement Plan

- *Standardizing the organizational process for developing and monitoring strategic partnerships.* To increase the effectiveness of its compliance assistance partnership programs, WHD is requiring all regional and local partnerships to capture and report their outputs.
- *Reviewing and implementing recommendations of independent evaluations to improve program performance and efficiency.* WHD started implementing recommendations from an evaluation of the agency's enforcement efforts in

low-wage industries. The recommendations outlined approaches for more effectively targeting FLSA violators in priority low-wage industries and ensuring that corresponding performance targets promote ambitious outcomes.

PART Year	Rating	
2003 (Prevailing Wage Determination)	*Results Not Demonstrated*	PART Findings and Improvement Plan: http://www.whitehouse.gov/omb/expectmore/summary/10001099.2003.html

FY 2008 Progress on PART Improvement Plan

- *Modifying wage survey and outreach strategies to improve data collection processes.* WHD continues to examine ways to improve the wage survey, outreach, and data collection processes to reduce the average age of Davis-Bacon wage rates. The program is targeting an average age of five years by 2012, against a 2007 baseline of 9.5 years. WHD also updated the Automated Survey Data System guide to ensure consistent protocols among survey staff.
- *Improving program management by establishing a new-hire and refresher training program for Wage Analyst, Wage Specialists, and Construction Industry Research and Policy Center staff.* WHD established a training program for regional and national WHD staff and for the University of Tennessee's Construction Industry Research and Policy Center to improve program management.

"Evaluating the Efficiency and Effectiveness of WHD's Low-Wage Program," March 2008 (Mathematica, Inc.)

Relevance: WHD has recently implemented strategies to promote internal efficiencies, increase productivity, and maximize effectiveness. This evaluation analyzed WHD's investigative efficiency and targeting strategies in low-wage industries.

Findings and Recommendations:

- WHD has been successful in targeting and screening investigations in industries and establishments with substantial violations.
- Directed investigations are an effective way to detect employee violations, although generally less efficient than complaint investigations in detecting back wages, except in restaurants.
- The relationship between establishment age and investigative efficiency differs by industry among both directed and complaint cases.

Next Steps:

- WHD will incorporate the report findings into the FY 2009 planning process.
- The findings will help the agency more effectively target violators and ensure that its corresponding performance targets are ambitious.

Additional Information: For additional information on this report, contact the Wage and Hour Division, Office of External Affairs, 200 Constitution Avenue, NW, Washington, D.C. 20210, or call (202) 693-0051.

"Evaluation of Recidivism Among Previously Investigated Employers," January 2008 (SRA International, Inc.)

Relevance: The study assessed the effectiveness of a variety of WHD enforcement and compliance methods intended to reduce FLSA recidivism among employers who have previously been detected violating provisions of Acts enforced by WHD; the goals and measures relating to recidivism, including the Government Performance and Results Act measure reported in the Annual Performance and Accountability Report; and the effectiveness of the enforcement tools and compliance actions that WHD uses to discourage recidivism among previously investigated employers.

Findings and Recommendations:

- Full compliance is a valid measure, but employers can improve their performance in relation to the goal without reaching it. Adopting measures that focus more directly on the workers and their wages would more clearly connect the measure to the WHD's stated goal and to statutory intent.
- Overall, the agency's enforcement actions and compliance tools have had substantial success in improving the compliance of prior violators.

Next Steps:

- WHD is reviewing the recommendation to revise the measure for this goal in light of GAO's criticism related to the frequent modification of performance measures.
- For purposes of internal planning and best practices, WHD is measuring whether employers maintain substantial compliance following a WHD investigation, which is defined as 50% improvement in both back wages due and employees affected from last full investigation and the survey reinvestigation and where fewer than either 20% of the establishment's workforce or 20 total employees are due back wages.

Additional Information: For additional information on this report, contact the Wage and Hour Division, Office of External Affairs, 200 Constitution Avenue, NW, Washington, D.C. 20210, or call (202) 693-0051.

"Fair Labor Standards Act: Better Use of Available Resources and Consistent Reporting Could Improve Compliance," July 2008 (GAO)

Relevance: In response to a congressional request, GAO examined FLSA compliance activities from FY 1997-2007 and the effectiveness of WHD's efforts.

Findings and Recommendations:

- GAO recommended that WHD track all complaints and actions taken in response to them, and use this information as part of its resource allocation process;
- Establish a process to solicit input from external stakeholders, such as employer associations and worker advocacy groups, and incorporate it, as appropriate, into planning processes;
- Incorporate findings of commissioned studies in its strategic planning process to improve targeting of employers for investigations; and
- Improving its tracking of whether penalties are assessed when repeat or willful violations are found and whether back wages and penalties assessed are collected.

Next Steps:

- WHD will remind field managers of their obligation to comply with the Field Operations Handbook guidance on registering complaints and will implement a pilot program to track incoming inquiries at the district office level.
- WHD will document its consideration of stakeholder input during its FY 2010 Executive Leadership Team planning meeting, and continue to incorporate findings of commissioned studies in its strategic planning process.
- WHD will dissolve ineffective partnerships and evaluate new opportunities before committing scarce agency resources.
- To complement the information on recidivism that the agency already collects, WHD will develop standardized reports. These data will help determine the effects of back wage collection and assessment of penalties on reducing recidivism.

Additional Information: The report (GAO-08-962T) is available at http://www.gao.gov/new.items/d08962t.pdf.

"Audit of the Wage and Hour Division, New Orleans District Office's Processing of Workers' Complaints Received in the Aftermath of Hurricane Katrina," March 2008 (OIG)

Relevance: OIG examined WHD's processing of worker complaints received in the aftermath of Hurricane Katrina. The audit objectives were to determine whether the New Orleans Wage and Hour District Office (1) was adequately staffed, (2) used intake procedures that impeded workers' ability to file complaints, (3) adequately communicated with complainants, and (4) performed outreach to gather and investigate complaints made by migrant workers.

Findings and Recommendations:

- WHD adequately staffed the New Orleans office to serve the workforce after Hurricane Katrina.
- The WHD Continuity of Operations Plan (COOP) should include contingencies for similar disasters;
- OIG also recommended that WHD district offices maintain a record of all inquiries, and that DOL ensure that WHD investigators comply with the policy on regular communication with complainants.

Next Steps:

- WHD has modified its COOP plan.
- WHD will ensure that any newly developed staffing allocation plans include criteria related to the state laws and the level of state enforcement.
- WHD has directed field managers to comply with the policy on regular communications with complainants and will implement a pilot program to track incoming inquiries at the district office level.

Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2008/04-08-002-04-420.pdf.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[50] With the exception of the wage determination measures, performance information is extracted from the Wage and Hour Investigator Support and Reporting Database (WHISARD), the agency's record of investigative case findings and investigator enforcement time. Investigative case records are reviewed by WHD management staff and are the subject of internal accountability reviews. The data are reported quarterly and performance statistics are considered throughout the agency's strategic planning process. In FY 2008, WHD completed its fourth study to verify the accuracy and reliability of data reported in WHISARD. With respect to the data used to develop wage determinations, WHD implemented a time reporting process to ensure accurate and timely reporting. WHD has begun tabulating and reviewing the data monthly to ensure accuracy.

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

Federal contractors achieve equal opportunity workplaces.

ESA

Performance Goal 08-3D (ESA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2003 Goal Achieved	FY 2004 Goal Achieved	FY 2005 Goal Achieved	FY 2006 Goal Achieved	FY 2007 Goal Achieved	**FY 2008 Goal Not Achieved**
Discrimination rate for audited federal contractors	Target	9%	9%	7%	6%	2%	**1%**
	Result	1.2%	1%	2%	1.7%	1%	**1.8%**
	*	Y	Y	Y	Y	Y	**N**
	Cost	—	—	—	$68	$72	**$71**
Compliance rate for all other Equal Employment Opportunity (EEO) requirements	Target	59%	61%	62%	64%	86%	**89%**
	Result	72.4%	91%	86%	87.2%	88%	**86%**
	*	Y	Y	Y	Y	Y	**N**
	Cost	—	—	—	$29	$31	**$31**
Goal Net Cost (millions)		—	—	$99	$97	$103	**$102**

Source(s): Case Management System (CMS).
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 Federal Contract Compliance Programs (OFCCP) administers and ensures compliance with three equal employment opportunity laws that prohibit Federal contractors and subcontractors from discriminating on the basis of race, color, religion, sex, national origin, disability, and protected veterans' status. These laws are: Executive Order 11246, Section 503 of the Rehabilitation Act of 1973, and the Vietnam Era Veterans' Readjustment Assistance Act of 1974.

At OFCCP's 2007 managers' conference in New Orleans, Louisiana, James C. Pierce, Director of the Functional Affirmative Action Program Unit (FAAP), addressed regional, district, and area managers. In 2002, OFCCP enacted new policy initiatives and directives to clarify guidance for employers and more enforceable standards to improve the agency's civil rights enforcement. The FAAP provision allows contractors to establish multiple affirmative action programs based on the operational components of their lines of business or functions. Photo credit: DOL/ESA

Through fair and effective enforcement of these laws, the Department seeks to ensure that Federal contractors provide equal employment opportunity to all applicants. Reduced incidence of discrimination among audited Federal contractors demonstrates a positive correlation between targeted enforcement and compliance assistance activities with performance goal achievements. Performance results reflect only the Federal contractors audited in one fiscal year, and as such, cannot be generalized to all contractors. Nonetheless, these annual results allow OFCCP to determine its progress in identifying and deterring discrimination among audited contractors. For example, selection is based on a number of factors — including Equal Employment Opportunity Reports, complaints against contractors, the date since the last audit, and statistical analysis to determine likelihood of violations. In addition, several external factors affect the selection list, including changes in business ownership or corporate structure that occur between the survey and publication of the report.

Initiatives implemented in the last several years are making OFCCP a more effective and efficient civil rights enforcement agency. Enforcement efforts focus on systemic discrimination, cases involving a significant number of workers or applicants subjected to discrimination. The Federal Contractor Selection System's enhanced selection method for identifying which contractors will be audited has helped OFCCP monitor a larger portion of the federal contractor universe than in the past. The Data Integrity Team Initiative has resulted in fewer hours spent researching contractor jurisdiction, improved case management, and increased resources for systemic discrimination cases. The Compliance Assistance Program focuses on raising contractor awareness of equal employment opportunity obligations and encouraging self-evaluations. OFCCP provides one-on-one customer assistance, including online tools and resources that teach contractors how to comply with Federal employment laws.

Analysis and Future Plans

OFCCP did not reach its goal. For audited Federal contractors, the discrimination rate rose from one percent in FY 2007 to 1.6 percent in FY 2008 and compliance with all other EEO requirements fell slightly, to 87 percent. These results were due to a higher number of systemic cases closed and fewer completed compliance evaluations. In FY 2008, OFCCP completed 4,333 compliance evaluations, of which 78 were classified as having systemic violations. By comparison, OFCCP closed 60 systemic violation cases and completed 4,923 compliance evaluations in FY 2007.

While performance fell short in FY 2008, OFCCP has worked to improve its effectiveness in several program areas. To attain greater consistency and efficiency, OFCCP developed a procedure for the analysis of compensation data to better support the desk audit process, including enhanced screening procedures for compensation evaluations. The design and deployment of the new Federal Contract Compliance System remained a priority as the system significantly enhances statistical data tracking throughout the compliance evaluation process.

In FY 2008, OFCCP formulated two new initiatives that promote the hiring of veterans and protect the rights of applicants with disabilities. The Good Faith Initiative for Veterans Employment reviews the efforts of Federal contractors in seeking, employing, and promoting qualified veterans in the workplace and rewards those who demonstrate exemplary affirmative action efforts. The Ensuring the Accessibility of Online Application System is designed to make certain that qualified applicants with disabilities, including disabled veterans, can compete for jobs when using an online application system.

Costs for this performance goal were virtually unchanged from FY 2007-08.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2004	*Adequate*	http://www.whitehouse.gov/omb/expectmore/summary/10000332.2004.html

FY 2008 Progress on PART Improvement Plan

- *Exploring the development and implementation of new performance measures with challenging targets for all agency performance goals.* OFCCP is expanding the available quantifiable data elements in the current Case Management System, in addition to other outside data elements that may be related to measurement of performance indicators. As part of this process, enhancements to the system were tested and deployed throughout FY 2008.
- *Continuing to modernize the agency's data collection system.* The new Federal Contract Compliance System will be designed to further expand available quantifiable data elements. A Request for Information to collect written information about the capabilities of various suppliers will be issued in early FY 2009.

"Women's Earnings: Federal Agencies Should Better Monitor Their Performance in Enforcing Anti-Discrimination Laws," August 2008 (GAO)

Relevance: This evaluation assessed how DOL enforces laws addressing gender pay disparities among Federal contractors, provides outreach, and determines its performance in these areas.

Findings and Recommendations:	***Next Steps:***
• GAO found that OFCCP has not yet evaluated whether its statistical model effectively predicts systemic discrimination.	• OFCCP's contractor scheduling is not based solely on the use of this statistical model, but on several factors. Nonetheless, OFCCP has set aside funding to continue an evaluation of its

• OFCCP's data system lacks a unique code to help the agency easily determine contractor compliance with the self-evaluation requirement.	scheduling process in FY 2009. • OFCCP does not depend solely on contractor self-evaluation to identify potential discrimination. Rather, the agency conducts its own audit of a contractor's employment practices, including compensation activities. As noted above, OFCCP has planned an upgrade of its IT system to broaden the range of data input that will aid in program monitoring.
Additional Information: The report (GAO-08-799) is available at http://www.gao.gov/products/GAO-08-799.	

Data Quality and Top Management Challenges

Data quality for this performance goal remains Very Good.[1] OFCCP continues to explore its data reporting capabilities to support the development of alternative measures to improve measurement validity. As discussed earlier, performance results reflect compliance and discrimination rates among a different set of contractors each year. Nonetheless, OFCCP's archaic database undermines the extent further improvements and changes can be realized, and a replacement system remains a top funding priority.

Despite the above GAO report findings on enforcement data quality, OFCCP does maintain robust quality controls for its core data on systemic discrimination, case closures, and violations – the principal data reported in the PAR. These data are cross-checked at several organizational levels and used in evaluating manager performance. In addition, OFCCP established a data integrity team in 2007, within the Division of Program Operations that audits the data system for data quality. Other examples of some of OFCCP's good data quality practices include updating the Case Management System with compliance audit data supporting performance goals, which are available in monthly, quarterly, and annual reports. OFCCP recently implemented a Business Process Rule which enforces the data collection requirements and responsibilities of each organizational level. This effort further enhances the timing and accuracy of data entries completed at field offices.

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

Performance Goal 08-3E (VETS)

Indicators, Targets and Results

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

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

VETS provides a range of USERRA-related services, including compliance assistance to employers and protected individuals and investigation of individuals' complaints alleging violation of their rights. VETS seeks to reduce both employer violations and the filing of meritless complaints by protected individuals. The indicator for this goal focuses on resolving filed claims. DOL has found that most violations and meritless complaints could be avoided with greater knowledge of the rights and protections established by USERRA. For this reason, VETS has an active compliance assistance program directed at employers and members of National Guard and Reserve units to increase knowledge and understanding of USERRA's key provisions.

Goal achievement is measured using a comprehensive Progress Index that demonstrates reduction of violations and meritless complaints by consolidating indicators of cases and assistance (non-case-related contacts) using weights for each element that are determined by service priorities. It consists of seven compliance indicators and one assistance indicator. The compliance sub-indicators are:

1. Number of Guard/Reserve demobilized per USERRA claim filed by Guard/Reserve,
2. Number of Guard/Reserve demobilized per USERRA claim filed by Guard/Reserve in primary issues,[51]
3. Number of USERRA violations,
4. Number of USERRA violations in primary issues,
5. Number of meritless USERRA claims,
6. Number of meritless USERRA claims in primary issues, and
7. Average days cases remain in VETS jurisdiction.

The assistance indicator is the number of USERRA assistance contacts per Guard/Reserve mobilized and demobilized. The Employer Support for the Guard and Reserve, an agency in the Department of Defense, also provides outreach and handles USERRA inquiries. However, that agency is outside the scope of VETS' Progress Index.

[51] Reinstatement and Military Obligations Discrimination

Analysis and Future Plans

The goal was not achieved, largely due to the effects of a significant increase in VETS' USERRA claims compared to the previous year. This increase was in part attributable to the termination of a VETS/U.S. Office of Special Counsel (OSC) demonstration project, which shifted roughly half of all Federal USERRA claims to OSC from FY 2005 through the first quarter of FY 2008. VETS' overall USERRA claims increased by 15 percent in FY 2008 compared to the previous year, with meritless claims increasing by 29 percent. However, violations decreased by seven percent, reflecting the impact of VETS' aggressive compliance assistance efforts, with over 562,000 individual contacts since September 2001. Compliance assistance efforts will continue to focus on National Guard and Reserve components, because they are the source of most USERRA claims. In FY 2007, for example, Guard/Reserve claims accounted for 81 percent of total claims. VETS expects this trend to continue and possibly increase due to mobilizations and demobilizations relating to the Global War on Terror.

Costs associated with this goal were relatively unchanged between FY 2006 and FY 2008.

PART, Program Evaluations and Audits

The USERRA program has not been subject to a PART review.

Data Quality and Top Management Challenges

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

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; and protecting employee benefits plans against fraud, abuse, and mismanagement, and insuring defined benefit pension plans. These operations are carried out by three DOL agencies and a government corporation whose board is chaired by the Secretary of Labor:

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

For these agencies, protecting America's workers means protecting their economic security. DOL provides benefits and enforces laws that provide a safety net for workers and ensure transparency among the unions that represent them. Every employee faces unforeseen risks, and these agencies work to ensure that unemployed workers receive benefits; that workers in special industries receive compensation when injured or fall victim to job-related illnesses; that pension contributions and health benefits are secure; and that unions deliver honest elections and financial records. Here are a few highlights of FY 2008 results:

Debit cards put unemployment payments into the hands of some beneficiaries faster, more safely and securely than checks because not all claimants have bank accounts. As part of its long-standing practice of promoting technological improvements in the Unemployment Insurance (UI) program, in FY 2006, DOL provided $1.79 million in grants to 20 States for the implementation of debit card and/or direct deposit for UI Benefit payments. Forty-three States now use debit cards, are pilot testing or planning for their use. Forty-four States are making UI benefit payments by direct deposit or planning to do so. Texas reports that all of its benefits are paid by debit card while New Mexico and Louisiana make at least 80 percent of their payments by debit card. Photo credit: DOL/ETA

For the Unemployed

- 65 percent of unemployed workers found jobs within six months of their first benefit payment.
- For the second year in a row, over 85 percent of new employers received timely unemployment insurance tax liability determinations.

For the Injured or Ill Worker

- Federal employees lost fewer days of work due to a work-related injury or illness – 41 per 100 employees, compared to over 60 just a few years ago.
- Black Lung and both types of nuclear workers' claims (energy program Parts B and E) were processed eight percent, 29 percent, and five percent faster, respectively, than last year.
- Nearly 95 percent of final decisions on energy program claims were made timely – up more than seven percentage points from FY 2007.

For Union Members

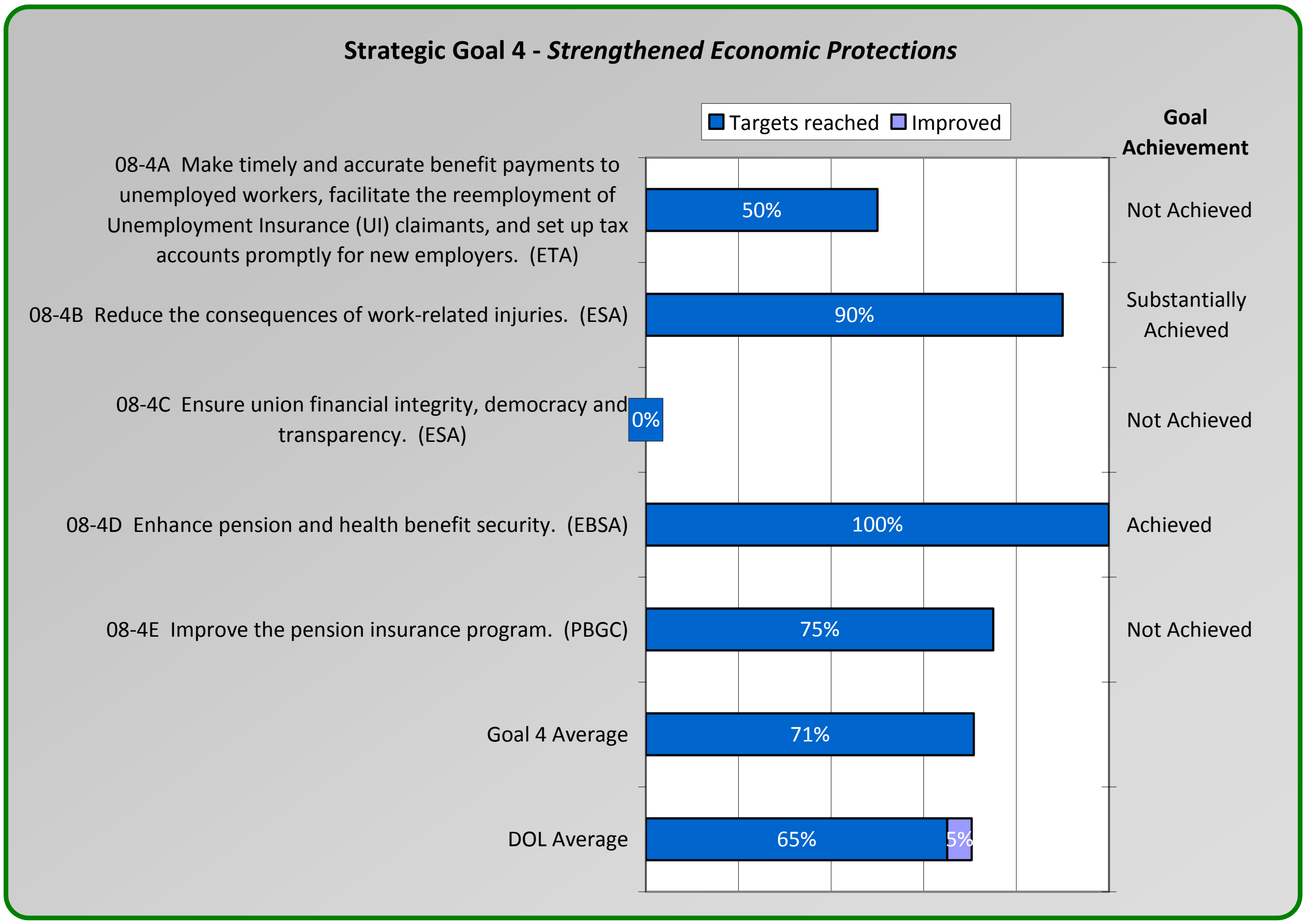
- Although targets for further improvement were not reached, the fractions of acceptable union annual reports and unions with democratic officer election procedures both remained above 90 percent.

For Workers with Pensions

- Pension insurance program customers' satisfaction continued to increase – to 72 percent for premium filers, 80 percent for trusteed plan participants, and 89 percent for retiree beneficiaries (from 68 percent, 79 percent, and 85 percent, respectively, in FY 2005).

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

The chart below presents FY 2008 achievements as measured by performance goals and indicators. The performance goal number, goal statement, and responsible agency appear on the left axis, the total percentage of indicator targets reached or improved is indicated in the horizontal bars, and the goal result is on the right axis. Corresponding strategic goal and DOL-wide averages are presented at the bottom of the chart. If the goal is achieved, the bar will run all the way across because, by definition, all indicator targets were reached. If the goal is substantially achieved, the total can range from 80 percent to 100 percent and includes indicators for which the target was not reached, but results improved over the previous year.



DOL achieved or substantially achieved two of the five performance goals in Strategic Goal 4 (40 percent) – below the 50 percent Department-wide average. The Unemployment Insurance program did not achieve its goal; it reached two of its four indicator targets. ESA's Office of Workers' Compensation Programs (OWCP) substantially achieved its goal by reaching nine of 10 targets for Federal Employees' Compensation Act, Longshore and Harbor Workers' Compensation, Black Lung Benefits and Energy Employees Occupational Illness Compensation programs. ESA's Office of Labor-Management Standards (OLMS) did not achieve its performance goal; the targets for its three indicators were not reached. EBSA achieved its goal by reaching all targets. PBGC did not reach its goal but did reach three of four targets.

The following table provides net costs for all performance goals and indicators associated with this strategic goal.[52]

Goal or Indicator	Net Costs ($Millions)[53]		
	FY 2006 PY 2005	FY 2007 PY 2006	FY 2008 PY 2007
Strategic Goal 4: *Strengthened Economic Protections*[54]	**$35,705**	**$38,495**	**$48,957**
Performance Goal 08-4A (Unemployment Insurance) Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up unemployment tax accounts promptly for new employers.	33,340	34,647	45,035
Mandated benefit payments[55]	*30,506*	*32,069*	*42,281*
Percent of all intrastate first payments made within 21 days	–	–	–
Percent of the amount of estimated overpayments that States detect and establish for recovery	–	–	–
Percent of UI claimants reemployed by the end of the first quarter after the quarter in which they received their first payment	–	–	–
Percent of new employer tax liability determinations made within 90 days of the end of the first quarter in which liability occurred	–	–	–
Dollars not associated with indicators	*2,834*	*2,645*	*2,755*
Performance Goal 08-4B (Workers' compensation) Reduce the consequences of work-related injuries.	2,130	3,554	3,693
Mandated benefit payments	*1,708*	*3,050*	*3,204*
Federal Employees' Compensation Act (FECA) Program *Lost production days rate (LPD per 100 employees) for all government agency cases*	*7*	*7*	*7*
Lost production days rate (LPD per 100 employees) for the United States Postal Service	*7*	*7*	*7*
Savings resulting from Periodic Roll Management case evaluations	*20*	*34*	*15*
Rate of change in the indexed cost per case receiving medical treatment compared to the Milliman USA Health Cost Index	*22*	*40*	*25*
Targets for six communications performance areas	*7*	*12*	*8*
Longshore and Harbor Worker's Compensation Program *Average days required to resolve disputed issues in contested cases*	*6*	*6*	*4*

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

[53] Net cost as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis.

[54] Costs for Performance Goal 08-4E (PBGC) are not referenced because the Corporation's financial statements are not part of the Department's consolidated statements. PBGC's financial statements can be found in their Annual Management Report at http://www.pbgc.gov/docs/PBGCAMR.pdf.

[55] Mandatory benefit payments for Unemployment Insurance and Workers' Compensation programs account for most costs for Performance Goals 08-4A and 08-4B. Because performance indicators and the Department's managerial cost accounting system that generates this information are designed to inform analysis and decision-making related to discretionary budgets and program management, such payments are shown separately and not included in allocation cost models.

Goal or Indicator	Net Costs ($Millions)[53]		
	FY 2006 PY 2005	FY 2007 PY 2006	FY 2008 PY 2007
Division of Coal Mine Workers' Compensation *Average number of days to render a decision on a claim*	*24*	*26*	*17*
Percent change in Black Lung average medical treatment cost for the previous year compared to the National Health Expenditure Projection	*–*	*–*	*2*
Energy Employees Occupational Illness Compensation Program *Average number of days to process Part B initial claims*	*155*	*185*	*60*
Average number of days to process Part E initial claims	*–*	*–*	*58*
Percent of Part B and Part E final decisions processed within 180 days where there is a hearing or 75 days where there is no hearing	*16*	*18*	*18*
Dollars not associated with indicators	*159*	*172*	*270*
Performance Goal 08-4C (Labor-Management Standards) Ensure union financial integrity, democracy and transparency.	56	68	58
Percent of unions with fraud	*18*	*35*	*29*
Ratio of criminal cases to targeted audits	*–*	*–*	
Percent of union reports meeting standards of acceptability	*8*	*16*	*11*
Percent of unions filing reports electronically	*–*	*–*	
Percent of unions in compliance with Labor-Management Reporting and Disclosure Act (LMRDA) standards for democratic union officer elections	*11*	*13*	*14*
Average number of days to resolve union officer election complaints	*–*	*–*	
Dollars not associated with indicators	*20*	*4*	*3*
Performance Goal 08-4D (EBSA) Enhance pension and health benefit security.	179	176	170
Ratio of closed civil cases with corrected fiduciary violations to civil closed cases	*–*	*103*	*102*
Ratio of criminal cases accepted for prosecution to cases referred			
Applications for Voluntary Compliance programs	*–*	*–*	*–*
Dollars not associated with indicators	*179*	*44*	*68*

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

eta

Performance Goal 08-4A (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		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	**FY 2008 Goal Not Achieved**
Percent of intrastate first payments made within 21 days	Target	91%	89.2%	89.9%	89.9%	90.0%	**88.4%**
	Result	89%	90.3%	89.3%	87.6%	88.2%	**86.8%**
	*	N	Y	N	N	N	**N**
Percent of the amount of estimated overpayments that the States detect and establish for recovery	Target	59%	59%	59.5%	59.5%	60.0%	**56.0%**
	Result	54%	57.4%	58.7%	62.1%	54.8%	**56.5%****
	*	N	N	N	Y	N	**Y**
Percent of UI claimants reemployed by the end of the first quarter after the quarter in which they received their first payment	Target	—	—	—	baseline	65.0%	**65.2%**
	Result	—	—	—	62.4%	65.1%	**64.9%****
	*	—	—	—	Y	Y	**N**
Percent of new employer tax liability determinations made within 90 days of the end of the first quarter in which liability occurred	Target	80%	82.2%	82.4%	82.5%	82.8%	**84.9%**
	Result	83%	83.6%	82.4%	83.7%	85.6%	**85.5%****
	*	Y	Y	Y	Y	Y	**Y**
Goal Net Cost (millions)		—	—	$34,243	$33,340	$34,697	**$45,035**

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: Some indicators not shown for FY 2003-05. 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 06-2.2B.

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.

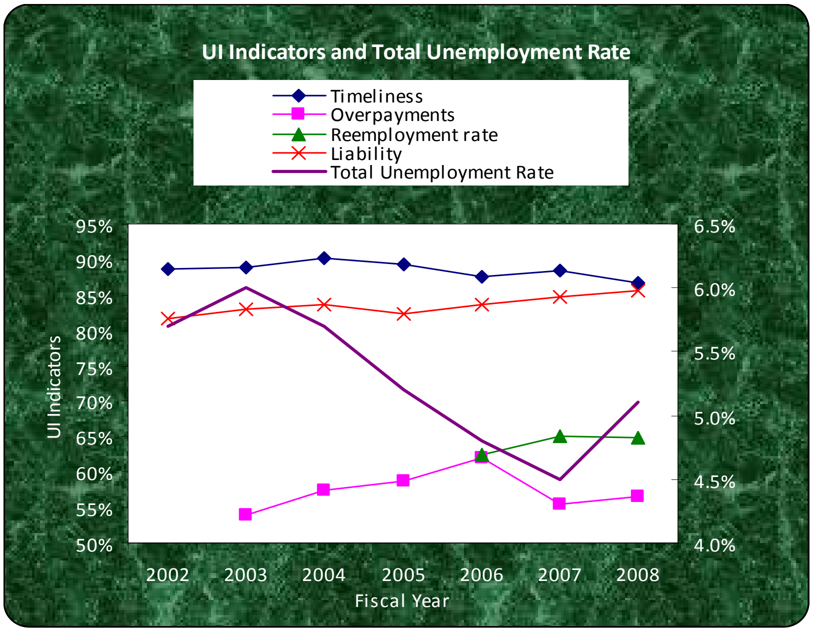
Program Perspective and Logic

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

As economic conditions change, the resulting workloads affect many aspects of the UI system performance. For example, when unemployment rises, more claims are filed and UI payment timeliness generally declines. On the other hand, when business creation slows, it reduces the number of new employer tax accounts and the timeliness of tax liability determinations generally improves. In addition, non-economic events can be extensive enough to affect aggregate UI system performance; an example was the series of hurricanes that hit the Gulf region during 2005. Performance targets are based on the Administration's economic assumptions, which are subject to change.

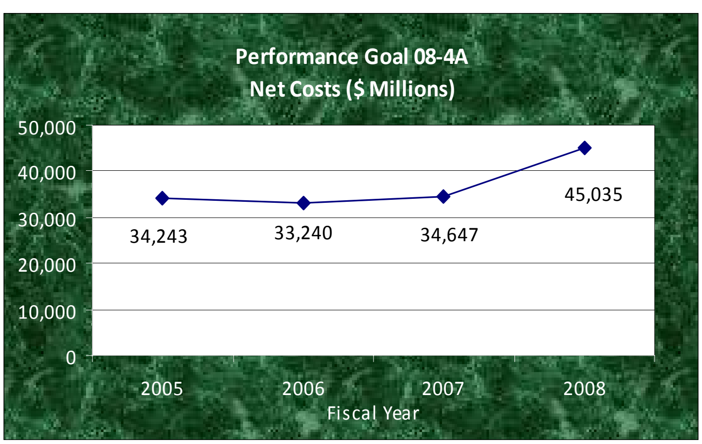
Analysis and Future Plans

Based on the most recent data covering 12 months of performance, the UI system did not reach FY 2008 targets for first payment timeliness and claimants' reemployment rate. However, the targets for new employer tax liability determinations and detection of overpayments were reached. First payment timeliness declined in California, Georgia, Indiana, Kansas, Massachusetts, Minnesota, Missouri, New Hampshire, Rhode Island, Virginia, and Washington. The decrease in performance is largely attributable to increased workloads. The number of UI first payments made from October 1, 2007 to September 30, 2008 (8.9 million) was 17.1 percent higher than those made during the preceding 12-month period (7.6 million). State agencies' overpayments established for recovery increased by 1.7 percentage points over the FY 2007 result. Overpayments estimated by the Benefit Accuracy Measurement (BAM) program decreased by $10.6 million, from 5.9 percent to 5.6 percent of UI benefits paid, while overpayments established for recovery by the state agencies increased by $25 million. The reemployment rate of 64.9 percent for claimants reemployed in CY 2007 is 0.2 percentage points below the target for FY 2008, primarily due to changes in the national unemployment rate.



To meet all its performance goals, the Department has several initiatives under way:

- Address the largest cause of UI improper payments – claiming benefits after returning to work – by continuing to promote the use of the National Directory of New Hires (NDNH) by all States.
- Address the second largest cause of overpayments – errors in handling separation issues – by continuing two efforts: facilitating the design and implementation of the Unemployment Insurance Separation Information Data Exchange System (SIDES), which is expected to provide more timely and complete separation information; and coordinating design and development of additional State adjudication training courses to reduce claimant eligibility determination errors.
- Facilitate a National UI Benefits and Adjudication Conference for States to share best practices and discuss new strategies to improve UI benefits program performance and payment accuracy.
- Issue guidance to the states to address legislative requirements of the Unemployment Compensation Integrity Act of 2008, which authorizes recovery of some UI fraud overpayments by offsetting Federal income tax refunds.



In FY 2008, the UI system costs were $10 billion higher than in FY 2007. Approximately $4 billion of this increase is attributable to the Emergency Unemployment Compensation program. The rest of the increase reflects the increase in the average unemployment rate from 4.5 percent to 5.3 percent. Overall, benefit payments rose 32 percent to $42.281 billion in FY 2008 from $32.069 billion in FY 2007. Administrative costs increased by seven percent, from $2.578 billion to $2.755 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

PART Year	Rating	PART Findings and Improvement Plan:
2003	*Moderately Effective*	http://www.whitehouse.gov/omb/expectmore/summary/10001102.2003.html

FY 2008 Progress on PART Improvement Plan

- *Integrating use of the National Directory of New Hire (NDNH) crossmatch into the UI Benefit Accuracy Measurement (BAM) survey to improve detection of claimants' eligibility for UI benefits.* As of July 1, 2008, 48 States were matching paid claims cases with the NDNH or their State Directory of New Hires.
- *Advising, facilitating and coordinating state adjudication training designed to improve claimant eligibility determinations.* Five training sessions were completed in FY 2007 and five in FY 2008 with a total of 400 staff trained.
- *Supporting a five-state consortium's development of the Separation Information Data Exchange System (SIDES) to ensure that accurate employer information on the circumstances of job separations reaches adjudicators in time to result in accurate decisions.* DOL is working with the consortium and its contractor to facilitate development and testing of SIDES, which will support the exchange of information on the reasons for claimant separations between employers and State Workforce Agencies. The five consortium States plan to have SIDES completely implemented in CY 2009.

"Worker Profiling and Reemployment Services Evaluation of State Worker Profiling Models: Final Report," March 2007 (Coffey Communications, LLC)

Relevance: The purpose of this study was to improve State worker profiling models by establishing an approach for evaluating their accuracy, applying this approach to current State models to determine how effective they are at predicting UI benefit exhaustion, and identifying best practices in operating and maintaining worker profiling models.

Findings and Recommendations:

- Basic assessments of model effectiveness were conducted for 28 States, and extended analyses were conducted for nine of them.
- Performance of profiling models is reasonably good. Detailed analysis of State data shows that almost all of the 28 State models analyzed perform better than random assignment of claimants to services.

Next Steps:

- DOL is providing technical assistance on a State-by-State basis to assist in updating their profiling models.

Additional Information: The report is available at http://wdr.doleta.gov/research/.

"Reemployment and Eligibility Assessment (REA) Study – FY 2005 Initiative," March 2008 (IMPAQ International, LLC)

Relevance: The purpose of this study was to evaluate the implementation of the REA Initiative and test its efficacy. The study included an analysis of REA impacts on employment and UI benefits receipt in two states.

Findings and Recommendations:

- While the REA Initiative was successfully implemented in most States, researchers experienced methodological challenges establishing valid treatment and comparison groups and providing data via the required reports in most states. The findings from two States (see below), while informative, cannot be generalized to all states.
- Analysis of REA impacts in Minnesota using State UI administrative records and follow-up interview data indicated that REA enhanced the rapid reemployment of unemployed workers and reduced overpayments. A similar analysis in North Dakota, however, found no statistically significant program impacts.

Next Steps:

- The Department will continue to analyze the outcomes and effectiveness of the REA initiative.

Additional Information: The report is available at http://wdr.doleta.gov/research/.	
"Evaluation of State Implementation of Section 303(k) of the Social Security Act," June 2008 (Coffey Communications, LLC and the Urban Institute)	
Relevance: The report provides information on State actions to meet the requirements of Public Law 108-295, the "State Unemployment Tax (SUTA) Dumping Prevention Act of 2004", which amended section 303(k) of the Social Security Act (SSA) by establishing a minimum nationwide standard for curbing an unemployment compensation tax rate manipulation scheme known as "SUTA dumping." P.L. 108-295 required the Secretary of Labor to conduct a study of state implementation and report the findings to Congress.	
Findings and Recommendations: • Several states indicated that there is a need for additional Federal legislation and/or other Federal action to improve the effectiveness of SUTA dumping detection, prevention, and enforcement; and • States need technical assistance and/or training.	***Next Steps:*** • DOL convened a National SUTA Dumping Detection Forum that included volunteer State and Federal staff. Participants recommended formation of three teams to study and provide guidance: electronic information sharing tools, Web-based training tools and mentoring programs, and performance measure development. Plans are to provide substantive outcomes in each of the three areas in FY 2009.
Additional Information: The report is available at http://wdr.doleta.gov/research/.	

Data Quality and Top Management Challenges

Data quality for this performance goal was rated *Very Good*.[56] Strengths of the data include timeliness and reliability, which result from the use of consistent data collection and reporting methods. Quality controls and procedures for verifying program data could be strengthened to reduce instances of overpayment and worker misclassification by assuring that definitions are uniformly applied among the States and that performance data are correctly reported. In FY 2008, ETA implemented a UI Data Validation (DV) program to verify that UI activities are reported according to prescribed definitions. States are required to submit their DV results as part of the State Quality Service Plan (SQSP) process. States that fail DV must describe in the SQSP Corrective Action Plan or narrative the actions they plan to take to pass DV.

Reducing improper payments and improving the integrity and solvency of the UI program remain among the Department's top management challenges (see *Safeguarding Unemployment Insurance* in the Top Management Challenges section of Management's Discussion and Analysis). DOL continues to aggressively address the leading cause of overpayments – individuals who claim benefits after returning to work – by promoting use of the NDNH, which provides state agencies with information on the claimants' employment status. As of July 1, 2008, 48 State agencies submitted files of UI payments for NDNH matching as part of their UI integrity operation. To improve the accuracy of the overpayment detection measure, all States are required to cross-match paid UI claims selected for BAM audits with the NDNH data. As of July 1, 2008, 45 state BAM programs had implemented NDNH matching and three additional states were matching with their State Directory of New Hires.

The weakening in the economy has affected State trust fund accounts. More than half of the States reported a negative cash flow in the 12 months ending in March 2008, and two States borrowed from the Federal Unemployment Account this fiscal year. Overall, balances are expected to decline seven percent this fiscal year. Several existing and proposed measures are expected to improve trust funds' solvency. All States' UI tax schedules are indexed; when trust fund balances fall below predetermined levels, tax rates rise to increase contributions. Ongoing efforts to prevent, detect and recover overpayments will conserve scarce funds. Finally, DOL is in the process of implementing a regulation requiring a State to meet a funding goal in order to get the interest-free cash-flow loan – which the State needs to make benefit payments. This requirement will provide an incentive to States to improve solvency and will establish a DOL position on what constitutes an adequate fund balance.

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

Reduce the consequences of work-related injuries.

ESA

Performance Goal 08-4B (ESA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2003 Goal Substantially Achieved	FY 2004 Goal Substantially Achieved	FY 2005 Goal Substantially Achieved	FY 2006 Goal Achieved	FY 2007 Goal Substantially Achieved	**FY 2008 Goal Substantially Achieved**
Federal Employees' Compensation Act (FECA) program Average lost production days (LPD) per 100 non-Postal employees) resulting from work-related injury and illness	Target	54.7	55.4	61.0	60.0	49.0	**48.5**
	Result	55.0	61.9	56.0	52.2	46.3	**41.0****
	*	N	N	Y	Y	Y	**Y**
	Cost	—	—	—	$7	$7	**$7**
Average lost production days (LPD) per 100 Postal employees resulting from work-related injury and illness	Target	130	146	148	146	130	**142**
	Result	143	147	135	142	135	**134****
	*	N	N	N	Y	N	**Y**
	Cost	—	—	—	$7	$7	**$7**
First-year benefit savings as a result of Periodic Roll Management (PRM) reviews ($million)	Target	$20	$18	$17	$13	$8	**$14**
	Result	$25	$24	$23	$16	$17	**$17**
	*	Y	Y	Y	Y	Y	**Y**
	Cost	—	—	—	$20	$34	**$15**
Rate of change in medical cost per case is below comparable measure of the annual rate of change in the national Milliman USA Health cost index (MHCI)	Target	≤9.1%	≤8.8%	≤8.8%	≤8.7%	≤8.3%	**≤8.5%**
	Result	-2.8%	+2.4%	+2.8%	+6.3%	+8.1%	**+3.2%**
	*	Y	Y	Y	Y	Y	**Y**
	Cost	—	—	—	$22	$39	**$25**
Targets for six communications performance areas	Target	baseline	3	3	4	4	**5**
	Result	5	4	3	4	4	**5**
	*	Y	Y	Y	Y	Y	**Y**
	Cost	—	—	—	$7	$12	**$8**
Longshore and Harbor Worker's Compensation Program Days required to resolve disputed issues in contested cases	Target	279	273	245	250	248	**baseline**
	Result	266	247	254	235	230	**239**
	*	Y	Y	N	Y	Y	**—**
	Cost	—	—	—	$6	$6	**$4**
Division of Coal Mine Workers' Compensation Average number of days to render a decision on a claim	Target	—	—	320	315	247	**220**
	Result	—	—	323	251	224	**205**
	*	—	—	—	—	Y	**Y**
	Cost	—	—	—	$24	$26	**$17**
Percent change in Black Lung average medical treatment cost from the previous year compared to the National Health Expenditure Projection (NHEP)	Target	—	—	—	—	—	**≤6.1%**
	Result	—	—	—	—	—	**+10%**
	*	—	—	—	—	—	**N**
	Cost	—	—	—	—	—	**$2**
Energy Employees Occupational Illness Compensation Program (EEOIC) Average number of days to process part B initial claims	Target	—	—	—	—	—	**226**
	Result	—	—	—	—	238	**164**
	*	—	—	—	—	—	**Y**
	Cost	—	—	—	—	—	**$60**

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

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: Some indicators not shown for FY 2003-07. 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. Complete indicators, targets and results for FY 2007 are available at http://www.dol.gov/_sec/media/reports/annual2007/PGD.htm. See Performance Goal 07-4B.

Program Perspective and Logic

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

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

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

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

Several external factors challenge the achievement of the OWCP program mission. The number and types of jobs available for return to work placement are driven by employment and business technology trends—the modernization of U.S. Postal Service (USPS) operations and resulting elimination of traditional jobs and reductions in employment levels is one compelling example as evidenced by the recent increase in the LPD rate. These changes determine both the availability of jobs and their skill requirements for injured workers trying to return to duty. The trend in the nature of new injury cases and the type of assistance they require reflect an aging workforce. For example, while musculoskeletal injuries still predominate, back injuries that used to be the most common, are now accompanied by knee, hip and shoulder problems. The cost of medical care continues to rise with better and earlier diagnostic medical technology, medicines and treatment procedures. The nation's expanded use of private contractor resources to support the wars in Iraq and Afghanistan has increased the number of deaths and injuries compensable under the Defense Base Act (DBA) and the War Hazards Compensation Act, both of which are administered by OWCP. New technologies and higher customer expectations continue to challenge OWCP to provide greater information 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

DOL substantially achieved this performance goal in FY 2008 by reaching nine of ten targets. The following results discussion is organized in three categories: Return to Work, Containing Program Costs, and Customer Service.

Returning Injured Employees to Work

Shortening the time out of work for injured workers is a major indicator of the FECA program's effectiveness. The LPD is measured for each Federal agency's cases within the first year from date of injury against the employment levels of those agencies. The rate (per 100 employees) is derived from that calculation. Both of FECA's LPD targets were met in FY 2008 and the program remains on track to achieve its long-term LPD goals. The significant decrease in the average length of disability in FECA's Quality Case Management cases – over 20 percent reduction in the past decade – contributed to this success. Under the President's Safety, Health and Return-to-Employment (SHARE) initiative (for which Secretary Chao has the government-wide lead), non-Postal agencies reduced injuries, including an annual decrease in new lost-time injury claims over the last four years, and LPD rates. While the Postal Service LPD remains higher than most agencies, FECA met its LPD target in FY 2008.

USPS continued to report high levels of new lost-time injuries. Its employment levels have declined due in part to the automation of many job functions. USPS is also reviewing limited duty positions for elimination. Overall, fewer positions are available for reemploying and transitioning injured workers. In response, FECA adjusted out-year LPD targets to capture these external factors and will track additional measures linked to specific USPS strategies. For example, FECA established an operational goal for Postal workers affected by job eliminations who return to the FECA payment rolls. Through the vocational rehabilitation program, FECA aims to increase the number of claimants placed in jobs with new employers.

Containing Program Costs

Measured in financial terms, FECA outcomes reflect the efficiency and quality of benefit payment activities and the impact of case management and benefit services. FECA continues to meet the Periodic Roll Management (PRM) savings goal through its directed review of long-term disability cases to determine continued eligibility. Nearly half of the over 3,000 cases reviewed in FY 2008 produced cost savings of $17 million. Since 1999, DOL has saved well over $1 billion through PRM. FECA effectively manages medical costs through centralized bill processing, strengthened reviews of treatment authorization requests, fee schedules, and stronger automated edits and other controls. In FY 2008, the indexed rate of change in FECA average medical treatment costs indicator reached its target; it rose by 3.2 percent compared to the change rate of national health care costs of 8.5 percent projected by the Milliman USA Health Cost Index. Comparing the FECA medical cost growth rates to the nationwide rates since FY 2000 equates to (conservatively) a cost reduction of nearly $30 million annually.

While working as a construction superintendent on a U.S. embassy project in Bogota, Colombia, Raymond developed an acute viral syndrome that led to severe cardiomyopathy. In 1995, he received an urgently needed heart transplant that was covered under the Defense Base Act and overseen by OWCP's Division of Longshore and Harbor Workers' Compensation (Longshore). In 2007, his transplanted heart began to weaken and his team of treating doctors recommended a re-transplant. The insurance carrier challenged the medical necessity of the procedure. The DOL claims examiner in Longshore's San Francisco office held an emergency conference with the attorneys of both parties that resulted in a strong recommendation that the carrier authorize the re-transplant. It was accepted and Raymond received a successful heart re-transplant in 2008. According to Raymond's attorney, "none of this would have happened without OWCP!" As demonstrated by Raymond's circumstances, the Longshore Division's role as mediator in claim-related disputes can positively and significantly impact the lives of individual claimants. Photo credit: DOL/ESA

The Black Lung Program reported baseline results of $3,281 for the average medical cost containment indicator in FY 2008. The indicator compares the annual rate of change in average Black Lung Program medical costs for eligible miners to the annual change rate reported in the National Health Expenditure Projection (NHEP), a nationwide index published by Centers for Medicare and Medicaid Services, Office of the Actuary. The Black Lung Program did not reach its FY 2008 target to maintain costs at or below the NHEP projection of 6.1 percent. The increase in average per capita Black Lung medical treatment costs was due to a surge in the number of costly, compensable in-patient hospital billings in the third quarter. With a cohort of less than 10,000 covered former coal miners, a single procedure can significantly raise average costs. For example, a lung transplant could generate costs of $250,000 to $300,000 and raise the average per capita costs by more than $25,000 to $30,000 or one percent of the expected annual cost of medical treatment care. Average medical costs were well below the target for most of FY 2008 with the exception of a short period of time during the third quarter of FY 2008 when the surge in compensable in-patient hospital billings occurred. The Black Lung Program expects to achieve its long term targets and will continue to analyze the data to determine whether additional strategies are needed to achieve the goal.

Customer Service

To support its communications goal, FECA has established specialist positions, strengthened procedures, and instituted challenging performance standards in FECA field offices. Results include more than doubling the number of customers obtaining information from, or submitting documentation through, FECA automated systems. Since 2003, average caller wait times have been reduced by half; turnaround time to caller inquiries has been reduced by more than 70 percent; response effectiveness has improved by nearly 40 percent; 98 percent of calls meet program standards of quality; and, in 2008, FECA extended access to its Claimant Query System and doubled — to approximately 1.2 million — the number of Federal employees that can obtain information on their claims on line.

In FY 2008, the average time to resolve disputed issues in Longshore claims was 239 days, representing a nine day increase over the 2007 result. The significant increase in Defense Base Act (DBA) injury and death cases – from 347 cases in FY 2002 to 15,141 cases in FY 2007 – in connection with the wars in Iraq and Afghanistan prompted Longshore to establish a new baseline in FY 2008 and new targets for the out-years. OWCP will continue conducting outreach and working closely with parties to contested cases in order to reach a timely resolution.

The Black Lung Program achieved its target for claims processing. The processing timeliness indicator was refined in FY 2008 to better capture performance results by setting goals for four separate categories: Responsible Operator Merit Cases, Trust Fund Merit Cases, Responsible Operator Non-Merit Cases, and Trust Fund Non-Merit Cases. As a result of addressing these cohorts separately, the overall average claims processing time was reduced from 224 days in FY 2007 to 205 days in FY 2008. The Black Lung Program will continue to evaluate the target for this indicator to ensure that it is realistic in relation to performance results.

The Energy program's commitment to providing exceptional customer service is demonstrated by improving the timeliness of recommended claims decisions.

The program measures the average days to process initial claims for Part B and Part E claims separately due to the different exposures and conditions covered under each Part. The Energy program exceeded its initial processing performance measure for Part B claims with a result of 164 days against a target of 226 days, and Part E claims were processed in an average of 284 days against a target of 290 days. In addition, the Energy program measures efficiency and productivity in processing final decisions. This measure's primary focus is to increase the number of claimants who receive a final decision within the prescribed regulatory timeframes. In FY 2008, 93 percent of final decisions were issued within 180 days, against a target of 87 percent. During the FY 2010 budget review, the Energy program will evaluate the ambitiousness of FY 2009 and out-year targets based on FY 2008 results.

Costs for this performance goal rose by four percent (from $3,554 million to $3,693 million) from FY 2007-08. OWCP benefit expenditures rose by five percent reflecting regular cost-of-living increases and an increase in the proportion of Energy cases with higher benefit entitlements, including those for cancer, impairment and wage-loss. Other benefit cost changes included an increase in Black Lung Trust Fund interest payments and an upward adjustment in EEOIC program future liabilities. Administrative expenses were three percent lower ($489 million vs. $504 million) reflecting variations in the timing of contract obligations and expenditures from FY 2006 to FY 2008 and reductions in FY 2008 budget authority for the OWCP programs.

PART, Program Evaluations and Audits

<table>
<tr><th>PART Year</th><th>Rating</th><td rowspan="2">PART Findings and Improvement Plan:
http://www.whitehouse.gov/omb/expectmore/summary/10000334.2008.html</td></tr>
<tr><td>2008
(FECA)</td><td>Moderately Effective</td></tr>
<tr><th colspan="3">FY 2008 Progress on PART Improvement Plan</th></tr>
<tr><td colspan="3">
• Working with Congress to update the benefit structure, adopt best state practices, and convert benefits for retirement-age individuals to a typical retirement level. The FECA reform proposal is included in the FY 2009 President's Budget.
• Implementing recommendations from an independent evaluation to improve significant components of FECA processes, including industry best practices. Improvements being made to the COP (continuation-of-pay) Nurse program include an electronic means to receive reports from employing agencies when an injured employee has returned to work, a Web portal through which to receive reports from nurses in the field, and a standardized case evaluation guide for nurses
• Conducting preliminary work, including the development of a logic model, that will serve as a basis for a future impact evaluation of FECA's disability management activities and program effectiveness. A contract to evaluate the Quality Case Management and vocational rehabilitation processes in addition to developing a logic model has been awarded.
</td></tr>
<tr><th>PART Year</th><th>Rating</th><td rowspan="2">PART Findings and Improvement Plan:
http://www.whitehouse.gov/omb/expectmore/summary/10003904.2005.html</td></tr>
<tr><td>2005
(Longshore)</td><td>Adequate</td></tr>
<tr><th colspan="3">FY 2008 Progress on PART Improvement Plan</th></tr>
<tr><td colspan="3">
• Identifying reforms to strengthen the Longshore and Harbor Workers' Compensation Act. Pursuant to recommendation from a 2007 independent evaluation, Longshore expanded the number of offices handling Middle East Defense Base Act cases. Other recommendations (e.g., to improve program outcomes, increase efficiency) are under review.
• Evaluating proposed alternatives for modifying the automated claims system for tracking the benefit delivery services of employers and carriers and to allow comparisons with similar programs. Special Fund automated systems are being consolidated to enhance management controls, accuracy, and security. These changes will also improve efficiency; enhance maintenance controls; and streamline the process for recording, reviewing and approving procedures.
• Evaluating recent efforts to improve processes and controls in the program's disbursement system in response to shortcomings identified in a 2004 audit. Established a FY 2008 baseline specific to the increased workload resulting from Defense Base Act cases; will establish out-year targets for dispute resolution timeliness based upon the FY 2008 result.
</td></tr>
<tr><th>PART Year</th><th>Rating</th><td rowspan="2">PART Findings and Improvement Plan:
http://www.whitehouse.gov/omb/expectmore/summary/10001098.2003.html</td></tr>
<tr><td>2003
(Black Lung)</td><td>Moderately Effective</td></tr>
<tr><th colspan="3">FY 2008 Progress on PART Improvement Plan</th></tr>
<tr><td colspan="3">
• Establishing performance goals for the OALJ, BRB, and Solicitor that are ambitious and contribute to efficient
</td></tr>
</table>

adjudication of Black Lung claims. DOL's Benefits Review Board and Solicitor now have performance measures and targets for their work related to the Black Lung program. The Department is also working with the Office of Administrative Law Judges to establish measures and targets for Black Lung claims.

- *Completing review of independent program evaluation recommendations for improved program performance measures and implement, as appropriate.* Some recommendations from a FY 2007 evaluation have already been implemented. The Department is implementing additional recommendations, including a revised method of calculating the accuracy of data entry and a new standard for measuring compliance with debt management standards.
- *Revising procedures for beneficiary and representative payee monitoring to better coordinate and further automate.* Revised procedures – which include annual reviews of beneficiary eligibility update questionnaires, establishment of standards for reviewing selection of representative payees, and accounting for benefits administered – have been established, and beneficiary and representative payee reviews are being monitored accordingly.

PART Year	Rating	PART Findings and Improvement Plan:
2007 (EEOIC)	*Adequate*	http://www.whitehouse.gov/omb/expectmore/summary/10009004.2007.html

FY 2008 Progress on PART Improvement Plan

- *Working with the National Institute for Occupational Safety and Health (NIOSH) to establish compatible timeliness measures that are consistent with program goals, and reporting performance against those goals.* The Department and NIOSH collaborated to establish NIOSH timeliness performance measures. Reporting against goals will be ongoing.
- *Obtaining an independent, comprehensive evaluation of the program.* In FY 2008, the Energy program underwent a management study to evaluate and recommend ways to enhance program operations; including an analysis of workflow, training, technology, workload, claims processing, and organization and management structure. In addition, a customer satisfaction survey will be conducted in FY 2009.
- *Improving coordination with State workers' compensation systems to prevent duplicate payments.* Cross-matching procedures were developed with the State of Ohio. This information will be used to help EEOIC coordinate Part E benefits with State workers' compensation benefits to eliminate duplication of payments.

"Evaluation of the Federal Employees' Compensation Program: Improved Early Disability Management," February 2008 (SRA International, Inc.)

Relevance: A process evaluation of the FECA Continuation of Pay Nurse Program recommended actions to improve the delivery of nurse intervention services to injured Federal workers during the initial 45 days (continuation-of-pay period) immediately following injury that considered industry best practices in early case intervention.

Findings and Recommendations:

- Processes for nurse referrals, reporting, and information sharing with employing agencies are inconsistent among FECA offices; roles and responsibilities are not well understood; performance management and quality assurance is lacking; and there are communication and administrative delays.
- Clarify purpose, objectives and outcomes; streamline the nurse referral process; speed reporting of return-to-work and filing of nurse reports; and improve information sharing with employing agencies

Next Steps:

- Providing an electronic capability for employing agencies to report when injured worker has returned to work;
- Developing a Web portal for Continuation of Pay (COP) nurses for transmitting case status reports;
- Publishing a standardized case evaluation guide.

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

"Energy Employees Compensation – Actions to Promote Contract Oversight, Transparency of Labor's Involvement, and Independence of Advisory Board Could Strengthen Program," October 2007 (GAO)

Relevance: GAO examined the costs and oversight of NIOSH's contracts, the implementation of the conflict of interest policy for NIOSH and its contractors, the extent of Labor's involvement in NIOSH's activities and actions to deny benefits, and challenges to advisory board independence and options to enhance it.

Findings and Recommendations:

- To increase transparency and facilitate congressional oversight of Labor's involvement in NIOSH activities, take steps to ensure that

Next Steps:

- DOL concurred with the GAO findings and recommendations. In 2008, OWCP implemented the recommendation to substantiate written comments on NIOSH documents with a

comments on draft NIOSH technical documents and SEC petition evaluations more explicitly indicate how the comments are intended to promote clarity and consistency and thereby facilitate adjudication of claims.	rationale and basis.

Additional Information: The report (GAO-08-4) is available at http://www.gao.gov/new.items/d084.pdf.

"Federal Workers' Compensation – Better Data and Management Strategies Would Strengthen Efforts to Prevent and Address Improper Payments," February 2008 (GAO)

Relevance: GAO examined how effectively the Department of Labor's Office of Workers' Compensation Programs manages the risk of improper FECA compensation payments, what vulnerabilities, if any, exist in OWCP's procedures for making FECA wage loss payments, and how well OWCP ensures the recovery of identified FECA overpayments.

Findings and Recommendations:

- GAO estimated FY 2006 improper payments of $13.3 million (approximately 0.7% of FY 2006 FECA compensation benefits paid); however, GAO acknowledged its estimation technique differed from OMB guidance on reporting erroneous payment rates.
- The agency should revise its program performance measures to increase emphasis on payment accuracy, adequate internal controls, and overpayment recoveries.
- Collect more detailed information on improper payments, such as the causes of overpayments and underpayments, and use these data to better identify improper payment risks and address areas of high risk.

Next Steps:

- OWCP's Operational Plan for 2008 includes a new measure of the timely processing of identified overpayments (both pending and preliminary) that complements the existing timeliness measures. Further, the Department's OMB Circular No. A-123 Reviews and DOL OIG's annual audits further address qualitative issues, including a test of OWCP's internal control process.
- To further improve this process, OWCP is developing ways to collect information in the integrated Federal Employees' Compensation System (iFECS) for the analysis of potential erroneous payments. Reason codes are being developed to help analyze the various types of overpayments. As for underpayments, one of the district offices is already conducting a pilot audit of potential erroneous payments that may be implemented on a national level.

Additional Information: The report (GAO-08-284) is available at http://www.gao.gov/new.items/d08284.pdf.

"FY 2007 Longshore and Harbor Workers' Compensation Act Special Fund Audit," March 2008 (OIG)

Relevance: The OIG audited the financial statements of the Longshore and Harbor Workers' Compensation Act Special Fund as of September 30, 2007, and for the year then ended.

Findings and Recommendations:

- Establish formal policies and procedures for periodic review and analysis of outstanding accounts receivable and require more formal communication regarding credit and corrections between the program and accounting offices.
- Establish and enforce more formal management review of journal entries, accounts receivable analysis, the allowance computation, and draft financial statements.

Next Steps:

- Formal procedures establishing monthly review and analysis of outstanding receivables with formal communication of credit and corrections between the program and accounting offices was implemented in FY 2008.
- ESA has in place a formal process of review for all journal entries as well as the preparation of the Financial Statements. ESA will ensure that this process is strictly adhered to and that a thorough review takes place and includes all necessary signatures or initials.

Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2008/22-08-004-04-432.pdf.

"FY 2007 District of Columbia Workmens' Compensation Act Special Fund Audit," March 2008 (OIG)

Relevance: The OIG audited the financial statements of the District of Columbia Workmens' Compensation Act Special Fund as of September 30, 2007, and for the year then ended.

Findings and Recommendations:

- Establish formal policies and procedures for periodic review and analysis of outstanding accounts receivable and require more formal communication regarding credit and corrections between the program and

Next Steps:

- Formal procedures establishing monthly review and analysis of outstanding receivables with formal communication of credit and corrections between the program and accounting offices were implemented in FY 2008.
- ESA has in place a formal process of review for all journal entries

accounting offices. • Establish and enforce more formal management review of journal entries, accounts receivable analysis, the allowance computation, and draft financial statements.	as well as the preparation of the Financial Statements. ESA will ensure that this process is strictly adhered to and that a thorough review takes place and includes all necessary signatures or initials.
Additional Information: The report is available at http://www.oig.dol.gov/public/reports/oa/2008/22-08-005-04-432.pdf.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Excellent*,[57] reflecting OWCP's long history of managing workers' compensation case record data and benefit payment histories. Performance measurement, also a long-standing priority for OWCP, relies primarily upon data extracted from internal automated case management and benefit payment systems. Technology upgrades to OWCP automated data systems have made possible more efficient reporting processes and improved statistical report design and content. Enhanced systems also enable OWCP to better test performance data, make quality improvements and increase accuracy. Outside sources, including other Federal agencies, the nationally known research institute, Milliman USA, and the Centers for Medicare and Medicaid Services Office of the Actuary within the Department of Health and Human Services, also provide performance data.

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

A fundamental challenge in delivering workers' compensation is to ensure proper payments while providing timely, responsive services to eligible claimants (see *Improving the Federal Employees' Compensation Act Program* in the Top Management Challenges section of Management's Discussion and Analysis). To that end, strengthening system controls to minimize improper payments remains an ongoing DOL priority. However, improper payments represent a very small portion of the $2.6 billion in total annual FECA benefit payments. DOL's Office of the Chief Financial Officer determined a 0.1 percent error rate in an FY 2007 sampling of FECA payments.

OWCP continues to strengthen system controls. In FY 2008, the FECA program completed the adjustment and testing of the iFECS system to ensure that current medical information for claimants is on file (an OIG recommendation), so that payments are not made to those who are no longer disabled. OWCP also has remedial actions underway that address findings of an FY 2008 GAO report (GAO-08-486) that recommended a revision of the FECA program's performance measures to ensure increased emphasis on payment accuracy, adequate internal controls, and overpayment recoveries; and that the program collect more detailed information on improper payments and use these data to better identify improper payment risks and to address areas of high risk.

The Office of Inspector General determined that discovery and prevention of fraud would be assisted through the routine matching of FECA payment records against Social Security wage records to identify those who are collecting FECA benefits while working. In response to this finding, DOL has included an additional provision into its proposal to reform the FECA that would provide the legal authority to conduct these matches. The FECA reform proposal, which also includes provisions to enhance incentives for injured employees to return to work and address benefit equity issues, was included in the 2009 President's Budget.

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

Ensure union financial integrity, democracy, and transparency.

ESA

Performance Goal 08-4C (ESA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2006 Goal Not Achieved	FY 2007 Goal Substantially Achieved	**FY 2008 Goal Not Achieved**
Percent of unions with fraud	Target	8%	7.5%	**7%**
	Result	8%	7%	**7.6%**
	*	Y	Y	**N**
	Cost	$18	$35	**$29**
Ratio of criminal cases to targeted audits	Target	—	—	**baseline**
	Result	—	—	**11.5%**
	*	—	—	—
	Cost	—	—	—
Percent of union reports meeting standards of acceptability	Target	96%	97%	**97%**
	Result	93%	95%	**95%**
	*	N	I	**N**
	Cost	$8	$16	**$11**
Percent of unions filing reports electronically	Target	—	—	**baseline**
	Result	—	—	**20%**
	*	—	—	—
	Cost	—	—	—
Percent of unions in compliance with Labor-Management Reporting and Disclosure Act (LMRDA) standards for democratic union officer elections	Target	Baseline	92.5%	**93%**
	Result	92%	92.3%	**91.3%**
	*	Y	I	**N**
	Cost	$11	$13	**$14**
Number of days to resolve union officer election complaints	Target	—	—	**baseline**
	Result	—	—	**92**
	*	—	—	—
	Cost	—	—	—
Goal Net Cost (millions)		$56	$68	**$58**

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

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. Allocations among the three enforcement areas are provided opposite the old indicators for FY 2006-07 and opposite the new indicators for FY 2008.

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. OLMS measures transparency by tracking the acceptability — compliance with a series of filing standards — of union financial reports filed for public disclosure. The 2003 baseline revealed that approximately 73 percent of union reports met standards of acceptability. Since the FY 2003 baseline of 73 percent, OLMS has consistently achieved compliance rates exceeding 90 percent for the last four years.

OLMS Investigator Robert Loniewski (standing) and Assistant United States Attorney Richard Resnick of the Western District of New York review the facts of the case prior to a court appearance regarding an OLMS investigation. This investigation resulted in the conviction of a former employee who embezzled more than $17,000 from a labor union. The employee was ordered to make full restitution to the union and was placed on probation for five years. Photo credit: DOL/ESA/OLMS

OLMS measures the effectiveness of its audit and embezzlement investigations by tracking indicators of fraud in a random sample of audited unions. OLMS did not reach its FY 2008 target. However, since 2004, union audits with indicators of fraud have decreased by 1.4 percent — from nine percent to 7.6 percent in FY 2008. The same sampling also determines whether unions are in compliance with critical LMRDA standards for democratic union office elections, such as the timely notification of elections. While OLMS did not reach the target for this indicator, the compliance rate decreased by two percent between FY 2007 and FY 2008 (95 percent versus 93 percent), but remains high overall.

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

Analysis and Future Plans

Despite the decreased performance from FY 2007, the level of performance remains high. These results further support OLMS' intent to transition to new performance measures, which clearly demonstrate room for improvement. In 2008, OLMS began developing strategies to achieve success under the new performance goals, including additional internal measures for the timely resolution of union member complaints. OLMS has also identified barriers to submitting union reports electronically, including specific recommendations from a cost-benefit analysis of its electronic reporting and disclosure system.

In 2008, OLMS established the baseline results for three performance measures that will replace the current measures. As demonstrated by prior year results, OLMS has achieved consistently high performance in the current measurement areas. To promote targeted program improvements, the new measures more narrowly focus on key program processes. In addition, the union fraud and democracy measures will no longer rely upon random audits, thereby redirecting resources to targeted enforcement activities.

- *Union Transparency*. OLMS aims to increase the *percent of union financial reports filed electronically* to improve their accuracy, completeness, and timeliness for public disclosure on the OLMS Web pages.

- *Financial Integrity*. OLMS aims to more effectively and accurately identify cases of fraud and embezzlement, which will be measured as the *percent of audits resulting in the opening of a criminal case*.
- *Union Democracy*. OLMS aims to improve the timely resolution of union election complaints, which will be measured by the *days to resolve the complaints*.

A major challenge is the increased complexity of union financial investigations. By employing improved analytical tools and using statistical techniques to identify anomalies in union financial reports, OLMS will strive to more effectively identify criminal violations. OLMS will continue efforts to identify procedures that can be streamlined in order to better serve its constituents.

Net costs associated with this performance goal decreased by fifteen percent from FY 2007-08, mostly due to a shift in OIG audit and investigative priorities.

PART, Program Evaluations and Audits

<table>
<tr><th>PART Year</th><th>Rating</th><td rowspan="2" colspan="2">PART Findings and Improvement Plan:
http://www.whitehouse.gov/omb/expectmore/summary/10003903.2005.html</td></tr>
<tr><td>2005</td><td>Adequate</td></tr>
<tr><th colspan="4">FY 2008 Progress on PART Improvement Plan</th></tr>
<tr><td colspan="4">• Developing and implementing specific performance indicators to measure agency progress towards ensuring union democracy. OLMS piloted a measure of compliance with LMRDA election standards, but in 2008 has developed a timeliness measure that will not rely on a random sample of audited unions for data and will replace the current democracy measure.
• Conducting an external review of program processes to identify areas for improvement. In 2007, OLMS underwent an evaluation of its reporting and disclosure program. In 2008, a subsequent cost-benefit analysis recommended ways to improve the electronic filing process for unions, which are currently under review. In 2009, OLMS will undergo another program evaluation that will strictly focus on improving the efficiency of its manual filing process, which remains the predominant filing method for Labor-Management forms. Recommendations will also focus on ways to improve the quality of the forms published online.
• Working with Congress to obtain the authority to impose civil monetary penalties on organizations and individuals who fail to comply with the reporting requirements of the Labor Management Reporting and Disclosure Act. OLMS is working with Congress to obtain the authority to implement civil and monetary policies for organizations and individuals who fail to comply with the LMRDA. In 2008, legislation was introduced in both chambers of Congress (S. 2878 and H.R. 5775) that would provide OLMS with this authority.</td></tr>
<tr><th colspan="4">“Labor-Management Reporting and Disclosure Program Evaluation,” March, 2008 (ERG)</th></tr>
<tr><td colspan="4">Relevance: This study evaluated the OLMS electronic reporting and disclosure system and made recommendations for its improvement. The system is vital to reporting and disclosure and to overall administration of the LMRDA program.</td></tr>
<tr><td colspan="3">Findings and Recommendations:
• The evaluation found that, while a rich data source, the present user interfaces of the Internet Public Disclosure system were confusing. A series of recommendations that would make the system more intuitive for users and thus make information more accessible were presented by the evaluators.</td><td>Next Steps:
• OLMS is in the process of implementing a number of the proposals made to improve the system.</td></tr>
<tr><td colspan="4">Additional Information: A copy of the complete report can be obtained from the Office of Labor-Management Standards, Office of Policy, Reports, and Disclosure, U.S. Department of Labor, FPB N5609, 200 Constitution Ave., NW, Washington, D.C. 20210 or by calling (202) 693-1233.</td></tr>
</table>

Data Quality and Top Management Challenges

Data quality for this performance goal was rated *Good*.[58] OLMS had relied on annual survey data to report for measurement of performance goals. By replacing the studies presently being used for its performance goals, OLMS expects to greatly improve data quality in all areas. 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. OLMS is in the process of implementing three new performance measures. Each of these measures will rely on data from either the Case Data System or the Electronic Labor Organization Reporting System. Both are mature, robust systems, and OLMS expects that the data retrieved from these systems will allow the Office to track long-term trends and identify areas in which program operations can be improved. OLMS will continue to promote the use of electronic filing for union financial reports that will enable additional error checking for data accuracy. Further, because the data used for performance measurement is available in databases routinely used for agency management, no additional resources will be required to maintain and update the data set, thus improving reporting efficiency over prior efforts which required additional effort to acquire and collate required data.

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

Enhance pension and health benefit security.

Performance Goal 08-4D (EBSA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2005 Goal Achieved	FY 2006 Goal Achieved	FY 2007 Goal Achieved	**FY 2008 Goal Achieved**
Ratio of criminal cases accepted for prosecution to cases referred	Target	—	—	48%	**50%**
	Result	—	—	67%	**74%**
	*	—	—	Y	**Y**
	Cost	—	—	$103	**$102**
Ratio of closed civil cases with corrected fiduciary violations to civil closed cases	Target	—	—	61%	**64%**
	Result	—	—	69%	**70%**
	*	—	—	Y	**Y**
Applications to Voluntary Compliance programs	Target	8,340	13,500	13,838	**21,000**
	Result	14,082	17,214	20,123	**28,261**
	*	Y	Y	Y	**Y**
	Cost	—	—	—	—
Goal Net Cost (millions)		$160	$179	$176	**$170**

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

Legacy Data: Some indicators not shown for FY 2005-07. 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. The customer satisfaction indicator was dropped this year; FY 2007 results are available at http://www.dol.gov/_sec/media/reports/annual2007/SG4.htm (Performance Goal 07-4D).

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 Employee Benefits Security Administration (EBSA) is responsible for ensuring compliance with the Employee Retirement Income Security Act (ERISA). EBSA's activities are essential to maintaining the public's trust and confidence in the employee benefits system. 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 700,000 private retirement plans, 2.5 million health plans, and similar numbers of other welfare benefit plans, such as those providing life or disability insurance. Benefit plans under EBSA's jurisdiction cover approximately 150 million participants and beneficiaries and over $5 trillion in assets.

Analysis and Future Plans

EBSA achieved its performance goal. The agency reached its performance target for the ratio of closed civil cases with corrected fiduciary violations to closed civil cases. With respect to criminal case work, EBSA reached its target to report cases accepted for prosecution. In 2008, EBSA began implementing a regulation that provides a safe harbor for assessing the timeliness of forwarding participant contributions to 401(k) plans with less than 100 participants. The regulation defines the period under which participant contributions to a small plan will be deemed to be made in compliance with the law. This safe harbor regulation could substantially impact both the civil and criminal enforcement programs because approximately one-third of all investigations conducted by EBSA focus on this issue. EBSA has historically found and corrected violations in a high percentage of these cases. The new regulation, which provides plan sponsors with a bright line rule to follow, could materially reduce EBSA's enforcement ratios, because there may well be fewer violations – the intended purpose of the regulation. It is difficult, however, to predict the magnitude of the impact. EBSA will analyze the impact of the regulation subsequent to FY 2008 results and adjust its performance targets, as necessary.

National Enforcement Initiatives Each Indicator is the Ratio of Closed Cases with Corrected Fiduciary Violations to total closed cases		
Employee Contribution Project	Target	80%
	Result	83%
Employee Stock-Ownership Plans	Target	61%
	Result	56%
Multiple Employer Welfare Arrangements	Target	58%
	Result	77%
Rapid ERISA Action Team	Target	51%
	Result	68%
Consultant/Advisor Project (CAP)	Target	baseline
	Result	—

Each of the indicators in the table to the left are component indicators of the broader "Ratio of closed civil cases with corrected fiduciary violations to civil closed cases" indicator whose performance is presented in the table on the preceding page. These indicators monitor the success of five critical national enforcement priority initiatives. The agency measures the success of these initiatives through ratio performance measurements (see table). The composition of these performance measures may change from year-to-year as the agency satisfies its commitments and assumes new priorities. The Consultant Advisor Project (CAP) ratio, which includes a small number of carefully targeted cases and focuses on the receipt of improper, undisclosed compensation by pension consultants and other investment advisers, is a new program with extremely complex and time consuming cases; baseline data are being collected. EBSA exceeded its targets for the Employee Contribution, Multiple Employer Welfare Arrangements, and Rapid ERISA Action Team projects. Although EBSA did not reach its Employee Stock Ownership Plans project target, the result was a significant improvement over FY 2007. EBSA is reviewing the strategies to improve performance further.

EBSA investigated a health plan responsible for providing benefits to more than 1,000 restaurant and bar workers in New Jersey and discovered more than 10,000 unpaid medical claims. In addition, service providers to the health plan had charged excessive administrative fees. The Department sued, and in February 2008, the court approved a settlement and appointed an independent fiduciary to take over the plan. The defendants paid $2.3 million to the plan and were barred from ever serving as a fiduciary or service provider to any other ERISA-covered benefits plan.

EBSA reached its voluntary compliance target in FY 2008. EBSA continued to monitor its compliance assistance measure that demonstrates achievements 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.

In addition, EBSA continued to assist workers in getting the information they need to exercise their rights, assist plan officials to understand the requirements of the law, and develop policies and regulations that encourage the growth of benefits. This year, Benefit Advisors continued to provide superior participant assistance by responding to 99 percent of all written inquiries within 30 days of receipt and responding to over 99 percent of telephone inquiries by the close of the next business day. In FY 2008, DOL obtained monetary results of approximately $1.2 billion. Monetary results are a product of EBSA's investigative, compliance and participant assistance activities.

Last year, the Gallup Organization deemed certain aspects of the agency's customer service program as *World Class,* a designation reserved for only the highest performing organizations. In 2008, the General Services

Administration recognized the EBSA Participant Assistance Program with its first-annual Citizen Service Award for excellence in customer service. To continue customer service improvement, EBSA completed work with Gallup to evaluate a Regional office experiencing challenges with customer satisfaction. Through this evaluation, EBSA identified several barriers to customer service success as well as actionable recommendations that would mitigate or eliminate the barriers. Regional staff received customized training incorporating this barrier analysis.

EBSA investigated a Jacksonville, Florida building contractor's profit sharing plan and determined that the building contractor had withdrawn all of the assets from the plan and used them to operate his business, contrary to law. As a result of the Department's efforts, the building contractor restored $194,109 to the plan for the benefit of 11 participants.

In 2008, EBSA also continued its critical regulatory role implementing the Pension Protection Act (PPA) of 2006. The President signed the PPA to protect workers and retirees and to encourage continued sponsorship of pension plans. EBSA has the primary responsibility for developing more than two dozen regulations to implement the PPA. EBSA is working closely with the other ERISA agencies (i.e., the Internal Revenue Service and the Pension Benefit Guaranty Corporation) to coordinate respective regulatory and guidance efforts to implement the PPA.

The three percent decrease in net cost of this performance goal between FY 2007 and FY 2008 reflects changes in administrative expenses.

PART, Program Evaluations and Audits

PART Year	Rating	
2004	*Moderately Effective*	PART Findings and Improvement Plan: http://www.whitehouse.gov/omb/expectmore/detail/10000338.2004.html

FY 2008 Progress on PART Improvement Plan

- *Implementing program improvements based on the independent evaluations completed or currently underway.* EBSA implemented program improvements recommended in the Gallup Organization Compliance Assistance evaluations.
- *Developing ways to quantify and reduce the burden imposed by EBSA's regulations.* Independent evaluator completed its second year regulatory review confirming that EBSA's evaluative process for cost-benefit analysis remains sound.
- *Continuing to support pension reform to ensure promises to employees are kept.* To date, EBSA has issued or undertaken 24 PPA-related regulatory or guidance actions.

"EBSA Analysis of Compliance Assistance Programs," December 2007 (Gallup Organization)

Relevance: The purpose was to understand and to improve customer service of the EBSA Compliance Assistance Program.

Findings and Recommendations:

- Performance data indicated 82% of customers believe they received above average service from EBSA and evaluators concluded that improving customer satisfaction is within the control of employees.
- The evaluator recommended that EBSA ensure effective selection, training, and rewarding of employees; develop regular opportunities to share new ideas and practices among the numerous EBSA offices; conduct regular workforce planning exercises to ensure customer needs are met in timely manner; and foster a culture of commitment to improving customer service by sharing survey results with all employees and continuously engaging in dialogue about how to improve results.

Next Steps:

- All program offices responsible for compliance assistance developed a performance improvement action plan responsive to their unique findings as provided by Gallup. Offices will be implementing improvement plans, as necessary.

Additional Information: A copy of the complete 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.

“EBSA Barrier Analysis of Customer Satisfaction and Engagement,” November 2007 (Gallup Organization)	
Relevance: This study followed up on a Gallup survey indicating a regional office faced unique customer service challenges.	
Findings and Recommendations: • The evaluator identified barriers to excellent customer service and recommended that EBSA (1) Clearly define supervisor role and ensure measuring and monitoring of team progress; (2) Identify long-term customer service goals and specific activities to produce results; (3) Conduct regular biweekly meetings and formal biannual training sessions; and (4) Develop clear framework for handling participant inquiries.	***Next Steps:*** • Regional leadership will implement a customer service improvement plan that was developed using recommendation from the Gallup evaluation. • Regional office staff will participate in customized training that incorporates the specific results of the barrier analysis as well as training in how to provide excellent customer service based on Gallup’s many years of expertise.
Additional Information: A copy of the complete 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.	
“Regulatory Review for the Employee Benefits Security Administration,” June 2008 (ICF International)	
Relevance: The review results will guide and inform the regulatory decision-making process through regulatory analysis. EBSA is required, under Executive Order 12866, to conduct cost-benefit analyses of “economically significant” regulations.	
Findings and Recommendations: • The evaluator found that benefits of the Participant Fee Disclosure Proposed Regulation outweigh the costs. • EBSA’s evaluative process for cost-benefit analysis is sound. For large rules, the process is largely consistent with OMB guidance and standard economic practice. To improve the regulatory analysis, the evaluator recommended that EBSA treat regulatory alternatives with more analytical rigor, increase the scope of alternatives considered, and include comparisons of the costs and benefits of possible alternatives in the decision making process. Regulatory training to junior economic staff to expedite the Regulatory Impact Assessment (RIA) development process would also improve the analysis.	***Next Steps:*** • EBSA will consider the data and information needs of its regulatory analysis team when awarding research contracts in 2008. EBSA intends to use the expertise of its contractors in regulatory analysis, as appropriate. • EBSA will conduct in-house training sessions relating to economic analysis of regulatory initiatives and intends to make further training opportunities available to staff.
Additional Information: A copy of the complete 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.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Excellent*.[59] EBSA's Enforcement Management System (EMS) provides the data for the enforcement ratios. EBSA's quality assurance processes require that individuals not directly involved with the investigation at hand approve all case openings. Cases with monetary results receive several levels of scrutiny, including national office oversight and review. Additionally, EBSA uses a peer review method to conduct quality assurance of randomly selected closed cases. The Voluntary Fiduciary Correction Program data is maintained in the EMS and the Delinquent Filer Voluntary Compliance Program tracking system.

The Inspector General has listed *“Ensuring the Security of Employee Benefit Plan Assets”* (see the Top Management Challenges section of Management’s Discussion and Analysis) as a major challenge for EBSA that cites benefit plan audits, benefit plan fraud, and corrupt multiple employer welfare arrangements as areas of concern. Because these risks go to the heart of EBSA’s goal to secure pension and health plans, the agency has taken specific actions, 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.

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

Improve the pension insurance program.

Performance Goal 08-4E (PBGC)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2004 Goal Not Achieved	FY 2005 Goal Not Achieved	FY 2006 Goal Not Achieved	FY 2007 Goal Substantially Achieved	**FY 2008 Goal Not Achieved**
Customer Satisfaction score for premium filers	Target	71	72	74	68	**69**
	Result	69	68	68	70	**72**
	*	N	N	N	Y	**Y**
Customer Satisfaction score for trusteed plan participant callers	Target	77	78	80	80	**80**
	Result	78	79	75	78	**81**
	*	Y	Y	N	I	**Y**
Customer Satisfaction score for retirees receiving benefits from the PBGC	Target	—	84	84	85	**85**
	Result	—	85	85	88	**89**
	*	—	Y	Y	Y	**Y**
Number of years between the date of Trusteeship and the date the Benefit Determination is issued	Target	—	—	—	—	**3.0**
	Result	—	—	—	3.0	**3.3**
	*	—	—	—	—	**N**

Source(s): American Customer Satisfaction Index (ACSI) and Federal Register.
Legacy Data: Some indicators not shown for FY 2007. Results for the three indicators that were dropped are available at http://www.dol.gov/_sec/media/reports/annual2007/SG4.htm. See Performance Goal 07-4E.
Note: Costs are not provided because the PBGC is not included in the Consolidated Statement of Net Costs. However, in accordance with the requirements of the Government Performance and Results Act (GPRA), the PBGC's performance reporting is included in this report because its performance goals are included in the Department's performance budget.

Program Perspective and Logic

The Pension Benefit Guaranty Corporation (PBGC) operates in accordance with policies established by its Board of Directors: the Secretaries of Labor (Chairman), Commerce and Treasury. PBGC protects the retirement incomes of 44 million American workers in over 30,000 defined benefit pension plans, which provide specified monthly benefits at retirement, often based on salary and years of service. The Corporation safeguards the pension insurance program and provides exceptional service to its customers, while it exercises effective stewardship over its resources. It is responsible for the current and future pensions of about 1.3 million people, including those who have not yet retired and participants in multiemployer pension plans receiving financial assistance.

PBGC receives no funds from general revenues. Operations are financed by insurance premiums set by Congress and paid by sponsors of defined benefit plans, investment income, assets from pension plans trusteed by PBGC, and recoveries from the plans' former corporate sponsors. However, the PBGC's premium structure does not adequately reflect the risks posed by individual plans. While the Deficit Reduction Act and the Pension Protection Act, both enacted in 2006, made significant structural changes to the defined benefit system, they did not fully address the Corporation's long-term challenges. Although current assets are sufficient to meet liabilities for a number of years, the PBGC does not have the resources to fully satisfy its long-term obligations to plan participants. Further reforms are needed to address a large gap between assets and liabilities ($11 billion as of 9/30/2008).

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

Analysis and Future Plans

In FY 2008, PBGC met or exceeded its targets for most of its performance indicators. As demonstrated in the chart, the result for the premium filer customer satisfaction indicator was 72, up two points from last year's record high of 70. This improved satisfaction can be attributed to two new avenues for providing information to practitioners – a free online subscription service and frequently asked questions (FAQs) on the Web site as well as expanded hours of customer support at peak filing times. The ACSI score for participant callers to the Customer Contact Center was 81 this year, up three points from last year – a record high for PBGC. This improved satisfaction can be attributed to increased training of Contact Center staff to ensure callers receive high-quality service. Retirees scored PBGC's service at 89, maintaining a consistently high level of satisfaction of services from PBGC. Finally, PBGC did not meet its target for the average time (number of years) to issue benefit determinations, which increased to 3.3 years from 3 years. The issuance of very complex determinations from plans trusteed in 2004 and 2005 adversely impacted performance measurement and will continue to impact 2009 performance. Process improvement efforts underway should streamline the benefit determination process and reduce process times in the future.

Through the 2007 PART process, PBGC established a qualitative performance goal to "commit to eliminate PBGC's deficit and account for PBGC's expected losses." While PBGC alone cannot fix the Corporation's solvency problems, the agency is actively supporting efforts to eliminate its deficit and account for its expected losses by providing research and analytical support to Administration policymakers and Congress as they consider alternative reform efforts. To address the shortage of resources needed to satisfy long-term plan obligations, this year PBGC began an analysis of options for improving the pension insurance program's financial condition. The Corporation expects to complete this report in early calendar year 2009.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2007	*Moderately Effective*	hhttp://www.whitehouse.gov/omb/expectmore/summary/10002382.2007.html

FY 2008 Progress on PART Improvement Plan

- *Refining and maturing the new certification and accreditation process for deployment of major systems and General Support System using relevant information technology (IT) guidelines.* In June 2008, PBGC completed its first milestone by developing a comprehensive approach to information and infrastructure security by finishing its IT Certification and Accreditation process for the corporation's general support systems and major applications.
- *Educating the public on the issues facing the private defined benefit pension system and working with Congress on legislative reforms to enable the PBGC to meet its long-term obligations to retirees.* PBGC will complete its first report in early calendar year 2009.
- *Using the information PBGC collects to mitigate risk and prepare for workload changes associated with pension plan terminations.* PBGC increased communication among its operating units through weekly updates that focus on likely plan terminations to better prepare for workload changes and mitigate risk.

"Pension Benefit Guaranty Corporation: A More Strategic Approach Could Improve Human Capital Management," June 2008 (GAO)	
Relevance: GAO analyzed PBGC's workforce to assess whether it is well positioned to fulfill its promise to retirees who depend on it to protect their pension benefits.	
Findings and Recommendations: • Integrate workforce and succession planning into human capital planning, systematically collect and analyze workforce data, and fully explore compensation options under the PBGC's statutory authority.	***Next Steps:*** • In the fall of 2008, PBGC submitted a formal, comprehensive human capital plan to the Office of Personnel Management and OMB; and developed a plan to improve collection and analysis of workforce data. • The PBGC continues to explore compensation options.
Additional Information: The report (GAO-08-624) is available at http://www.gao.gov/new.items/d08624.pdf.	
"PBGC Assets: Implementation of New Investment Policy Will Need Stronger Board Oversight," July 2008 (GAO)	
Relevance: GAO assessed PBGC's procedures for developing and implementing investment policies and its most recent investment policy for potential risks and benefits.	
Findings and Recommendations: • Improve Board of Directors monitoring of progress in achieving investment policy goals and analyze the new investment policy to gauge the potential risk of new investment allocations.	***Next Steps:*** • PBGC will perform sensitivity analyses.
Additional Information: The report (GAO-08-667) is available at http://www.gao.gov/new.items/d08667.pdf.	
"Pension Benefit Guaranty Corporation: Some Steps Have Been Taken to Improve Contracting, but a More Strategic Approach is Needed" September 2008 (GAO)	
Relevance: GAO assessed the role contracting plays in PBGC's efforts to accomplish its mission and the steps PBGC has taken to improve acquisition infrastructure and contract oversight.	
Findings and Recommendations: • Provide additional oversight of contracts and focus on outcomes rather than processes. • Reflect the importance of contracting within the agency's strategic plan and better link staffing and contracting decisions in achieving the Corporation's mission.	***Next Steps:*** • PBGC is considering these recommendations and will determine courses of action by mid-November 2008.
Additional Information: The report (GAO-08-871) is available at http://www.gao.gov/new.items/d08871.pdf.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.[60] PBGC moved from a rating of *Data Quality Not Determined* in 2007 to *Very Good* this year with the addition of the benefit determination timeliness measure. The timely issuance of the benefit determination is an important outcome for PBGC beneficiaries. By moving beyond customer service and including an important dimension of PBGC's operations – benefit determinations – PBGC satisfied the criterion of relevance.

Top management challenges include governance of PBGC, information security and implementation of the pension reforms in the Pension Protection Act. To address the governance issues, the Board of Directors amended PBGC by-laws to streamline processes and clarify the roles and responsibilities of the Board, Board Representatives and PBGC Director. Continuing with its comprehensive approach to information and infrastructure security and to address information technology security concerns, PBGC completed IT Certification and Accreditation of its general support systems and major applications. This long-term effort will conclude in 2011. Following enactment of the Deficit Reduction Act and the Pension Protection Act in 2006, PBGC focused on drafting regulations to implement the premium reforms. At the end of March 2008, PBGC published final regulations that amend premium rates and payment, and change the variable-rate premium for plan years beginning on or after January 1, 2008.

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

2001 2002 2003 2004 2005 2006 2007

Financial Section

Message from the Chief Financial Officer

As a Federal entity, the Department of Labor must be transparent and accountable to its broad community of stakeholders. To that end, I am proud to report that for the twelfth year in a row the Department received an unqualified "clean" opinion from its Inspector General on its consolidated financial statements.

We have also received other external validation of the Department's ongoing effort to improve financial management and produce user-friendly and transparent reports. In the past year, the Department earned its eighth consecutive Certificate of Excellence in Accountability Reporting from the Association of Government Accountants and once again was recognized by the Mercatus Center for producing an annual report that was one of the best in government in terms of accuracy, transparency, and public benefit. The Department also produced a "highlights" version of last year's report, which the Mercatus Center deemed the best in government. The Department also maintained its "green" ratings on key President's Management Agenda scorecards for improving financial performance and eliminating improper payments, remaining one of only a handful of Federal entities to demonstrate continued success and improvement in these areas.

With such substantial recognition both inside and outside of government for sound, accountable, and transparent financial management, our stakeholders should have confidence in our efforts to further strengthen financial management practices at the Department moving forward. To that end, allow me to share several of the Department's financial management accomplishments during FY 2008.

The value and benefit of managerial cost accounting continues to be recognized throughout the Department, as more users are being trained and new functionality is being developed for Cost Analysis Manager (CAM), the Department's cost accounting system. Manager are taking the vast amount of data available and using it to make more informed decisions on the directions of their programs. Departmental users are able to share best practices and lessons learned with each other to ensure that this resource is being utilized optimally.

We are on schedule to launch a new core financial management system by this time next year. The system will enable us to continue to ensure compliance with financial management requirements in a more effective manner. The system will foster better customer service and more efficient financial management operations, while facilitating accountability and transparency at all levels.

We are laying the foundation for a more effective risk management program at the Department. By integrating risk into the decision-making process, we will be well positioned to address the varied challenges facing our programs.

As we move into the new fiscal year, I am confident that we will continue to build on our accomplishments and provide more effective and efficient financial management. This will enable us to provide the transparent and accountable information our stakeholders have come to expect.

Douglas W. Webster
Chief Financial Officer
November 17, 2008

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Secretary and Inspector General
U.S. Department of Labor:

We have audited the accompanying consolidated balance sheets of the U.S. Department of Labor (DOL) as of September 30, 2008 and 2007; the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended; and the statements of social insurance as of September 30, 2008, 2007, and 2006 (hereinafter referred to as "consolidated financial statements"). The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2008 audit, we also considered DOL's internal controls over financial reporting and tested DOL's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements.

We have also examined DOL's compliance with section 803a of the *Federal Financial Management Improvement Act of 1996* (FFMIA) as of September 30, 2008.

SUMMARY

As stated in our opinion on the consolidated financial statements, we concluded that the consolidated financial statements present fairly, in all material respects, the financial position of DOL as of September 30, 2008 and 2007; its net costs, changes in net position, and budgetary resources for the years then ended; and the financial condition of its social insurance program as of September 30, 2008, 2007, and 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion on the consolidated financial statements, the statements of social insurance present the actuarial present value of DOL's future expenditures to be paid to or on behalf of participants, estimated future income to be received from excise taxes, and estimated expenditures for administrative costs and interest payments during a projection period ending in 2040.

Also as discussed in our opinion on the consolidated financial statements, in fiscal year 2008, DOL changed the financial statement presentation of its custodial activities from a principal financial statement to a disclosure in the accompanying notes to the consolidated financial statements.

Our consideration of internal control over financial reporting resulted in the following conditions being identified as significant deficiencies:

1. Lack of Adequate Controls over Access to Key Financial and Support Systems
2. Weakness Noted over Payroll Accounting
3. Lack of Segregation of Duties over Journal Entries

However, none of the significant deficiencies are believed to be material weaknesses.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed one instance of *Anti-Deficiency Act* noncompliance that is required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

As stated in our opinion on DOL's compliance with FFMIA, we concluded that DOL complied, in all material respects, with the requirements of FFMIA as of September 30, 2008.

The following sections discuss our opinion on DOL's consolidated financial statements; our consideration of DOL's internal controls over financial reporting; our tests of DOL's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the U.S. Department of Labor as of September 30, 2008 and 2007; the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended; and the statements of social insurance as of September 30, 2008, 2007, and 2006. The accompanying statements of social insurance as of September 30, 2004 and 2005 were not audited by us and, accordingly, we do not express an opinion on them.

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, 2008 and 2007; its net costs, changes in net position, and budgetary resources for the years then ended; and the financial condition of its social insurance program as of September 30, 2008, 2007, and 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1-W to the consolidated financial statements, the statements of social insurance present the actuarial present value of DOL's future expenditures to be paid to or on behalf of participants, estimated future income to be received from excise taxes, and estimated expenditures for administrative costs and interest payments during a projection period ending in 2040. In preparing the statements of social insurance, management considers and selects assumptions and data that it believes provide a reasonable basis for the assertions in the statements. However, because of the large number of factors that affect the statement of social insurance and the fact that future events and circumstances can not be known with certainty, there will be differences between the estimates in the statement of social insurance and the actual results, and those differences may be material.

Also as discussed in Note 1-B to the consolidated financial statements, in fiscal year 2008, DOL changed the financial statement presentation of its custodial activities from a principal financial statement to a disclosure in the accompanying notes to the consolidated financial statements. DOL revised its fiscal year 2007 consolidated financial statements and notes to conform to this fiscal year 2008 presentation.

The information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Secretary's Message, Performance Section, Other Accompanying Information and Appendices are presented for purposes of additional analysis and are not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects DOL's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of DOL's consolidated financial statements that is more than inconsequential will not be prevented or detected by DOL's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by DOL's internal control.

In our fiscal year 2008 audit, we consider the deficiencies, described in Exhibit I, to be significant deficiencies in internal control over financial reporting. However, we believe that none of the significant deficiencies presented in Exhibit I are material weaknesses.

We noted certain additional matters that we will report to management of DOL in a separate letter.

COMPLIANCE AND OTHER MATTERS

The results of certain of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed one instance of *Anti-deficiency Act* noncompliance that is required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, and is described in Exhibit II.

The results of our other tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

Other Matters. DOL is currently reviewing two incidents regarding potential violations of the *Anti-deficiency Act.* As of the date of this report, no final noncompliance determination has been made.

We noted certain additional matters that we will report to management of DOL in a separate letter.

OPINION ON COMPLIANCE WITH FFMIA

DOL represented that, in accordance with the provisions and requirements of FFMIA, the Secretary of Labor determined that the DOL's financial management systems are in substantial compliance with FFMIA.

We have examined the U.S. Department of Labor's compliance with section 803a of the *Federal Financial Management Improvement Act of 1996* as of September 30, 2008. Under section 803a of FFMIA, the U.S. Department of Labor's financial management systems are required to substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States

Government Standard General Ledger at the transaction level. We used OMB's Revised Implementation *Guidance for the Federal Financial Management Improvement Act*, dated January 4, 2001, to determine compliance.

In our opinion, the U.S. Department of Labor complied, in all material respects, with the aforementioned requirements as of September 30, 2008.

RESPONSIBILITIES

Management's Responsibilities. Management is responsible for the consolidated financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, contracts, and grant agreements applicable to DOL.

Auditors' Responsibilities. Our responsibility is to express an opinion on the consolidated financial statements of DOL based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DOL's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2008 audit, we considered DOL's internal control over financial reporting by obtaining an understanding of DOL's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of DOL's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of DOL's internal control over financial reporting.

As part of obtaining reasonable assurance about whether DOL's fiscal year 2008 consolidated financial statements are free of material misstatement, we performed tests of DOL's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to DOL. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

Our responsibility also included expressing an opinion on DOL's compliance with FFMIA section 803a requirements as of September 30, 2008, based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence about DOL's compliance with the requirements of FFMIA section 803a and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on DOL's compliance with specified requirements.

DOL's response to the findings identified in our audit is presented in Exhibit I. We did not audit DOL's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of DOL's management, DOL's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 14, 2008

1. Lack of Adequate Controls over Access to Key Financial and Support Systems

In fiscal year (FY) 2007, we reported a significant deficiency related to the lack of adequate controls over access to key financial and support systems.

The Office of the Inspector General (OIG) recommended that management:

- Identify key financial information technology (IT) controls and incorporate them into the U.S. Department of Labor's (DOL) internal control and Office of Management and Budget (OMB) Circular No. A-123 testing process, to ensure that these controls are documented and operating effectively during the year.

- Coordinate efforts among the DOL agencies to develop and/or enforce procedures and controls to address access control weaknesses in current financial management systems.

During our FY 2008 audit, we noted that DOL identified and tested key IT controls as part of its OMB Circular No. A-123 testing process. Specifically, we noted that the testing included following up on certain prior year IT findings and testing the design and operating effectiveness of certain key current year controls. Certain parts of the OMB Circular A-123 IT testing were performed concurrently with our IT testing and were not completed in time for us to assess the adequacy of the process.

Additionally, we noted that 30 prior year findings related to access controls have not been corrected by management (5 in the Office of the Chief Financial Officer (OCFO), 11 in the Employment and Training Administration (ETA), 4 in the Office of the Assistant Secretary for Administration and Management (OASAM), and 10 in the Employment Standards Administration (ESA)). In addition, in FY 2008, we identified access control weaknesses that resulted in 14 new findings (2 in the OCFO, 2 in ETA, 1 in OASAM, and 9 in ESA). The specific nature of these weaknesses, their causes, and the systems impacted has been communicated separately to management.

In summary, we noted issues with account management, configuration management, and review of system audit logs in our FY 2008 testing of DOL's IT systems, that present more than a remote likelihood that a misstatement of DOL's financial statements that is more than inconsequential will not be prevented or detected. As such, we believe that these new weaknesses and the uncorrected prior year control weaknesses represent a significant deficiency over access to key financial and support systems. Specifically, the following control weaknesses were present in multiple financial systems across various DOL agencies.

- Account Management:

    - Account management controls such as user access request, modification, and termination procedures were not documented;
    - Account management controls were not performed, such as incomplete or missing access request, modification, and termination forms;
    - Periodic user account reviews or re-certifications were not performed;
    - Generic accounts existed on systems;
    - Access authorization, recertification, and periodic reviews of data center access were not consistent with policies;
    - Certain terminated personnel had active system accounts, and in some cases, terminated employees accessed systems after their termination date; and
    - Certain human resources personnel had access to create and approve personnel action requests on their own.

- Configuration Management:

    - Technical security standards and policies need to be updated and implemented to include stronger logical access security controls. Specifically, patches were not applied to systems in a timely manner; unnecessary services were not disabled; and access to sensitive files, directories, or software was not restricted;
    - Production servers were not configured in accordance with baseline configurations or to the most appropriate settings;
    - Password settings do not comply with the Office of the Chief Information Officer Computer Security Handbook; and
    - Inactive accounts were not disabled or deleted in a timely manner.

- Review of System Audit Logs:

    - Audit logs monitoring user and administrator activity, changes to security profiles, remote access logs, access to sensitive directories, and failed login attempts are not reviewed, or documentation of audit log reviews was not maintained;
    - Audit log review procedures were not documented and finalized;
    - Audit logs were not secured against editing by system administrators; and
    - Application-level audit logs (e.g., significant transactions and changes to sensitive tables) were not proactively reviewed.

These findings are the result of weaknesses in the implementation and monitoring of Departmental processes and procedures. Certain parts of management's OMB Circular No. A-123 IT testing were not completed in time for us to assess whether the process was adequate or addressed our recommendation. While the agencies closed 24 prior year findings, they have not invested the necessary level of effort or properly allocate their resources to ensure that policies are designed and operating effectively. These access control weaknesses could result in users with inappropriate access to financial systems; inefficient processes; lack of completeness, accuracy, or integrity of financial data; and/or undetected unusual activity within financial systems.

Based on these facts noted as part of our FY 2008 audit, we consider the recommendation related to testing key financial IT controls as part of the OMB Circular No. A-123 testing process **resolved and open.** However, we have revised the status of the recommendation related to coordinating efforts among the DOL agencies to develop and/or enforce procedures and controls to address access control weaknesses in current financial management systems from **resolved and open** to **unresolved.**

Management's Response**:** DOL maintains policies, procedures and standards for management, operational, and technical controls that collectively provide compound safeguards and redundant security measures to ensure the integrity of DOL financial systems. Additionally, of the 44 open notifications of findings and recommendations (NOFRs) auditors issued to four DOL agencies in this draft audit report, none concluded that the cited weakness in agency-level access controls in and of itself amounted to a "significant deficiency."

In FY 2008, DOL Management continued to focus on aggressive remediation efforts resulting in substantial improvements to the Department's overall IT control environment, resulting in closure of 24 prior year audit findings. Additionally, the OCIO security monitoring program was enhanced to identify deficiencies requiring agency corrective action and target areas for additional oversight and monitoring.

Although fully supportive of the need for continual improvement of IT controls, management maintains that the controls inherent to specific applications, as well as manual, and other compensating controls already in place, are sufficiently designed and effective to prevent or detect any unauthorized access to DOL financial systems. As such, management believes that the likelihood of a misstatement of DOL's financial statement is remote.

In FY 2009, management plans to further strengthen its monitoring program by establishing a Department-wide comprehensive strategy to address the identified conditions associated with access controls and configuration management procedures and working directly with the agencies to implement the objectives and milestones for this strategy (FY 2009 Q2). We will also complete quarterly security control testing to measure the effectiveness of the agencies implementation of the access control and configuration management procedures (FY 2009 Q2 – Q4).

Further, the auditors have represented that a detailed report will be issued in December 2008 that will provide the in-depth analysis performed in support of its conclusions. Management will be able to provide a more in-depth response at that time.

Regarding A-123 related recommendation, the OMB Circular No. A-123 IT testing was performed on a timely basis to meet all A-123 requirements, although certain of the testing may not have been completed on a timeframe to enable KPMG to adequately review the work. For FY 2009, we will accelerate the A-123 testing. Timing of the testing will depend on when the agency documentation is available, and as constrained by the availability of funding due to the restrictions of the continuing resolution.

Auditor Response: The details of all our FY 2008 IT findings and recommendations were provided to DOL management through the NOFR process. While we did not identify any individual finding as a significant deficiency, we evaluated the combination of certain findings, in accordance with auditing standards generally accepted in the United States of America, to conclude that a significant deficiency does exist. Although management stated that they do not concur with our recommendations, they plan on taking steps to address them. Therefore, these recommendations are considered **resolved and open**.

2. Weakness Noted over Payroll Accounting

During FY 2006, the U.S. Department of Agriculture's (USDA) Office of Chief Financial Officer (OCFO)/National Finance Center (NFC) processed DOL's payroll. The *Fiscal Year 2006 – Office of the Chief Financial Officer/National Finance Center General Control Review* dated September 21, 2006, and issued by the USDA's Office of Inspector General (Report No. 11401-24-FM) reported a qualified opinion regarding the effectiveness of NFC's internal controls for the period October 1, 2005, through June 30, 2006. During FY 2006, DOL did not have policies and procedures in place to reconcile the payroll information it submitted to the NFC to that received and processed by the NFC.

For each FY 2006 pay period, DOL submitted to the NFC payroll information that included all DOL employees for the period, along with their hours worked, leave used, and other payroll related information for the period. The NFC processed the payroll for DOL each period and made available for download a Detail Pay and Deduct Register report for each DOL Human Resources office. We noted that DOL did not utilize these reports to perform reviews or reconciliations of data processed by the NFC, and no other controls were in place during the year to ensure that the information that was submitted to NFC via Time and Attendance records was reconciled to what was shown as paid in the Detail Pay and Deduct Register.

We recommended that management develop and implement policies and procedures to reconcile payroll information provided to the NFC to the payroll information processed by the NFC each pay period. These reconciliations should be documented, reviewed, approved by an appropriate supervisor, and maintained.

During FY 2007, the NFC continued to process DOL's payroll. The *Fiscal Year 2007 – Office of the Chief Financial Officer/National Finance Center General Control Review* dated September 27, 2007, and issued by the

USDA's Office of Inspector General (Report No. 11401-26-FM) reported a qualified opinion regarding the effectiveness of NFC's internal controls for the period July 1, 2006, through June 30, 2007.

As part of DOL's corrective action plan for FY 2007, the OCFO's PeoplePower Task Force created a Time and Attendance Reconciliation Report based on the NFC's Detail Pay and Deduct Register to be used to reconcile information sent to NFC to that received and processed by NFC. In March 2007, the DOL OCFO issued policies and procedures that state that each DOL Human Resource office should review the Time and Attendance Reconciliation Reports each pay period and research and resolve differences identified. No offices that we tested complied with the new OCFO procedures, but two offices that we tested performed their own reconciliation procedures.

During FY 2008, the OCFO issued revised policies and procedures dated October 23, 2007, requiring a review of the Time and Attendance Reconciliation Reports, and implemented these policies and procedures. The OCFO also performed monitoring department-wide to ensure that the reviews were completed, documented, and approved by an appropriate supervisor, and maintained. However, we noted that the reconciliation tested from the Atlanta processing center did not contain a signature to validate the review. In addition, the Time and Attendance Reconciliation Reports do not contain a space for the date of the review; therefore, the timeliness of the reconciliations and certifications was not verifiable.

The policies and procedures issued and the related reviews and audits appeared to reconcile and certify time and attendance records only. When we requested supporting documentation for the reviews of other NFC inputs and outputs (e.g., Gross Pay and Benefit Withholdings), we noted that the five agencies selected for testwork were able to provide the Detail Pay and Deduct Register report; however, the agencies could not provide evidence of review or recalculations of payroll-related items other than time and attendance. Therefore, we can not conclude that such reviews and recalculations were completed. The lack of compensating reconciliation controls around the NFC compensation outputs increases the risk that payroll-related line items may be misstated due to errors in payroll processing by NFC.

Federal agencies that use external service providers, such as the NFC, should have controls in place to ensure the accuracy of processing outputs. As stated by the USDA OIG in its FY 2008 Report No. 11401-28-FM, "The accuracy and reliability of data processed by OCFO/NFC and the resultant reports rests with the customer agency and any compensating controls implemented by the agencies."

OMB Circular No. 123, *Management's Responsibility for Internal Control*, states, "Application control should be designed to ensure that transactions are properly authorized and processed accurately and that the data is valid and complete. Controls should be established at an application's interfaces to verify inputs and outputs, such as edit checks."

Additionally, per the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, "Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties."

DOL's policies and procedures do not provide adequate guidance on the need for agencies to review payroll-related items other than time and attendance records. Therefore, even though the Detail Pay and Deduct Register reports are being generated, no requirement exists for agencies to review all payroll information in the reports. In addition, the OCFO does not have a process in place to monitor the completion of the reviews of payroll-related items other than time and attendance.

As such, we consider the recommendation we made in FY 2006 as **resolved and open.** To close this recommendation in the future, the DOL OCFO should (a) ensure that Human Resource offices are reconciling all payroll information, not only time and attendance records, provided to the NFC to the payroll information processed by the NFC for each pay period, (b) ensure that these reconciliations are documented, reviewed, and approved by an appropriate supervisor, and maintained, and (c) update DOL's current policies and procedures to reflect these changes.

Management Response: The FY 2006 and FY 2007 audits focused on reconciliation of time and attendance. Accordingly, management made considerable progress in this area by implementing and monitoring procedures requiring reconciliation of time and attendance data. We also implemented improved procedures to reconcile payroll data provided by NFC to that recorded in DOLAR$, another critical payroll reconciliation. The updated finding for FY 2008 states that DOL does not review or recalculate other elements of pay, such as gross pay and withholdings. However, while certain agencies may not have conducted such reviews, we found that major agencies (such as ETA, ESA and BLS) are performing various analytical reviews to validate bi-weekly gross payroll and use these procedures to detect variances from prior periods or from budgeted amounts. We also understand that the ultimate check and balance on payroll are the employees themselves as every employee is responsible for ensuring that all aspects of their salary and deductions are correct.

In FY 2009, the OCFO will work to enhance existing policy and procedures and analytical controls, and will expand such controls throughout all DOL agencies. The OCFO will also implement procedures to verify and recalculate a sample of payroll transactions recorded throughout the fiscal year, and will develop and utilize change reports for purposes of identifying unusual fluctuations in payroll totals. These procedures will be developed and implemented by March 31, 2009.

Auditor Response: DOL indicated above that several of its agencies are performing analytical reviews to validate bi-weekly gross payroll; however, DOL did not provide us evidence of these activities during our FY 2008 audit procedures. Although management stated that they do not completely concur with our recommendations, they plan on taking steps to address them. Therefore, these recommendations are considered **resolved and open**.

3. Lack of Segregation of Duties over Journal Entries

During the FY 2006 audit, we noted that accounting staff from all DOL agencies were able to prepare and enter journal entries into the Department of Labor Accounting and Related Systems (DOLAR$) without approval.

We recommended that management reconfigure DOLAR$ so that journal entries entered into the DOLAR$ general ledger system and its successor system are required to be approved electronically by an individual other than the preparer before posting. We also recommended that agencies implement manual compensating review controls until system controls have been implemented.

During FY 2007, we found that management had not reconfigured DOLAR$ so that journal entries entered into it are required to be approved electronically by an individual other than the preparer before posting because DOL plans on implementing a new general ledger system by October 2009. In addition, although the OCFO had developed department-wide manual policies and procedures designed to ensure the segregation of journal entry preparation and approval authority, we noted that a number of journal entries did not have supporting documentation evidencing management review and approval.

During the FY 2008 audit, we noted that management implemented new department-wide manual policies and procedures designed to ensure the segregation of journal entry preparation and approval authority. However, we noted that the OCFO did not provide documentation for 134 of 215 journal entries that we selected for review, from the period October 1, 2007, to June 30, 2008, to support that these journal entries were reviewed by a supervisor or someone other than the preparer before they were posted to DOLAR$. The OCFO considers 39 of the 134 exceptions noted to be exempt from department-wide policies and procedures over manual journal entries because they are generated by internally-developed programs, which are discussed below in more detail.

Furthermore, we noted that 8 journal entries were posted to DOLAR$ prior to review and approval as evidenced by the signatures on the cover sheets of the journal entries.

We also noted that certain transactions posted in DOLAR$ related to non-expenditure transfers erroneously impact expended and unexpended appropriations balances. To ensure that these balances are correctly reported at fiscal year end, the OCFO uses an internally-developed program to generate a manual journal entry to reverse the erroneous components of the transfer entries. However, OCFO staff did not update the program to capture and correct such errors made in FY 2008 transfer entries. As a result, the balances of expended appropriations and unexpended appropriations at fiscal year end were initially misstated by approximately $716 million, and the OCFO posted an auditor-proposed adjustment in November to correct the error. OCFO supervisors did not identify this error since management consider the related journal entries to be part of an automated process that is not subject to the department-wide policies and procedures that require manual journal entries to be reviewed by a supervisor or someone other than the preparer before they are posted to DOLAR$.

By posting transactions without proper review and approval and allowing individuals the authority to prepare and approve their own transactions in DOLAR$, there is an increased risk that a material error would not be prevented or detected and corrected in a timely manner.

In addition, management represented that the new core financial management system, to be implemented in October 2009, will require electronic approval by someone other than the preparer before journal entries are posted. As a result, we were again informed that DOL does not plan to implement the recommendation to reconfigure DOLAR$ so that journal entries entered into DOLAR$ are approved electronically by an individual other than the preparer before posting.

Per GAO's *Standards of Internal Control in the Federal Government*, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

Since management provided their timeframes to implement the new general ledger system that requires electronic approval by someone other than the preparer before journal entries are posted, we consider the corrective action recommendation we made in FY 2007 **resolved and open**. To close the recommendation, management needs to ensure that the new core financial management system is configured, upon implementation, so that journal entries entered into it are required to be approved electronically by an individual other than the preparer.

Because management does not monitor DOL employees' compliance with the OCFO policies and procedures in place that require all journal entries to be properly prepared, supported, and approved before posting to DOLAR$ and that proper segregation of duties is in place related to the preparation and posting of journal entries, we consider the manual control recommendation made in FY 2006 as **unresolved**. To close this recommendation, management should (a) monitor DOL employees' compliance with the department-wide policies and procedures in place for documenting the review of all journal entries prior to posting in DOLAR$, (b) update the department-wide policies and procedures to require that manual journal entries generated by internally-developed programs be reviewed and approved by a supervisor or someone other than the preparer before they are posted to DOLAR$, and (c) design and implement detective controls that require supervisors to periodically generate and review activity reports that list all journal entries posted to DOLAR$. These controls should ensure that all journal entries that are posted are appropriate, supported, and documented.

Management Response: We analyzed the sample results cited in this finding, and found that not all transactions selected were manual entries subject to the standard, department-wide journal entry procedures referred to and tested by the auditors. In fact, a number of these transactions were recorded in DOLAR$ via an automated process, or were related to unique activities of DOL agencies, for which different procedures have been put into place. In both scenarios, the auditors assumed that such transactions should have been documented and reviewed similar to journal entries processed in accordance with the department-wide journal entry procedure. Furthermore, we maintain that the internal control standards allow for different types of controls, both preventive and detective in nature, which may be used to perform the authorization, recording, and review of transactions, and the segregation of duties among these functions. Certain transactions were included as exceptions simply because the review function was performed as a separate process after the transaction was recorded in DOLAR$, rather than simultaneous with posting.

We do not agree with the auditor's statement that "management does not monitor DOL's compliance with policies and procedures". We believe that there is disagreement with what transactions are subject to these requirements. That said, we will look to clarifying which transactions are subject to preventive and/or detective controls and update the policies accordingly. Knowing that DOL plans to implement the new core financial system in FY 2010, we will not consider reconfiguring DOLAR$ at this point in its lifespan. However, the OCFO will issue written guidelines and minimum requirements for documenting the authorization, recording and review functions for transactions posted outside of the automated interfaces, and for the segregation of duties among these functions. The OCFO will periodically monitor compliance with existing policies and procedures by testing samples of transactions posted throughout the fiscal year. Our assessment and written procedures will be completed by March 31, 2009, and sampling will begin thereafter.

Auditor Response: We believe that the results of our audit procedures and the misstatement identified support our conclusion that a significant deficiency exists in this area. Although management stated that they do not completely concur with our recommendations, they plan on taking steps to address them. Therefore, these recommendations are considered **resolved and open**.

1. *Anti-deficiency Act*

During FY 2008, DOL management concluded that an *Anti-deficiency Act* violation had occurred. The total amount of the violation was $39,450,476. The Secretary of Labor has reported the violation to the President of the United States, the President of the Senate, the Speaker of the House of Representatives, and the Comptroller General of the United States, as required by 31 U.S.C. section 1351.

The violation occurred in the Employment and Training Administration Community Service Employment for Older Americans account (160175) in connection with the Senior Community Service Employment Program in each of fiscal years 2003 through 2008, covering appropriations enacted for FY 2001 through FY 2005. These violations relate to the reobligation of expired funds for FY 2001 through FY 2005, beyond the period allowed for new obligations, as established in DOL's annual appropriation for this program.

Annual Financial Statements

Principal Financial Statements and Notes

Principal Financial Statements Included in This Report

The principal financial statements included in this report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990 (P.L. 101-576), the Government Management Reform Act of 1994 and Office of Management and Budget's (OMB) Circular No. A-136, "Financial Reporting Requirements." The responsibility for the integrity of the financial information included in these statements rests with management of the U.S. Department of Labor (DOL). The audit of DOL's principal financial statements was performed by KPMG LLP. The auditors' report accompanies the principal statements.

The Department's principal financial statements for fiscal years (FY) 2008 and 2007 consisted of the following:

- The **Consolidated Balance Sheet**, which presents as of September 30, 2008 and 2007 those resources owned or managed by DOL that are available to provide future economic benefits (assets); amounts owed by DOL that will require payments from those resources or future resources (liabilities); and residual amounts retained by DOL, comprising the difference (net position).

- The **Consolidated Statement of Net Cost**, which presents the net cost of DOL operations for the years ended September 30, 2008 and 2007. DOL's net cost of operations includes the gross costs incurred by DOL less any exchange revenue earned from DOL activities. Due to the complexity of DOL's operations, the classification of gross cost and exchange revenues by major program and suborganization is presented in Note 15 to the consolidated financial statements.

- The **Consolidated Statement of Changes in Net Position**, which presents the change in DOL's net position resulting from the net cost of DOL operations, budgetary financing sources other than exchange revenues, and other financing sources for the years ended September 30, 2008 and 2007.

- The **Combined Statement of Budgetary Resources**, which presents the budgetary resources available to DOL during FY 2008 and 2007, the status of these resources at September 30, 2008 and 2007, the change in obligated balance during FY 2008 and 2007, and net outlays of budgetary resources for the years ended September 30, 2008 and 2007.

- The **Statement of Social Insurance,** which presents the net present value of projected cash inflows and cash outflows of the Black Lung Disability Trust Fund as of September 30, 2008, 2007, 2006, 2005, and 2004.

CONSOLIDATED BALANCE SHEET
As of September 30, 2008 and 2007
(Dollars in Thousands)

	2008	2007
ASSETS		
Intra-governmental		
Funds with U.S. Treasury (Notes 1-C and 2)	$ 9,428,930	$ 9,982,952
Investments (Notes 1-D and 3)	73,564,675	76,014,494
Accounts receivable (Notes 1-E and 4)	4,076,877	4,068,703
Total intra-governmental	87,070,482	90,066,149
Accounts receivable, net of allowance (Notes 1-E and 4)	976,428	1,060,223
Property, plant and equipment, net of accumulated depreciation (Notes 1-F and 5)	1,140,999	1,115,819
Other		
Advances (Notes 1-G and 6)	756,410	541,565
Total assets	$ 89,944,319	$ 92,783,756
LIABILITIES AND NET POSITION		
Liabilities (Note 1-I)		
Intra-governmental		
Accounts payable	$ 28,782	$ 21,761
Advances from U.S. Treasury (Notes 1-J, 8 and 23)	10,483,557	10,057,557
Other liabilities (Note 11)	219,337	230,932
Total intra-governmental	10,731,676	10,310,250
Accounts payable	908,799	1,042,185
Future workers' compensation benefits (Notes 1-K and 9)	762,836	635,848
Accrued benefits (Notes 1-L and 10)	1,775,576	1,448,772
Other		
Energy employees occupational illness compensation benefits (Note 1-M)	8,099,319	7,501,838
Accrued leave (Note 1-N)	111,507	101,257
Other liabilities (Note 11)	240,849	260,374
Total liabilities	22,630,562	21,300,524
Contingencies (Note 13)		
Net position (Note 1-R)		
Unexpended appropriations - other funds	8,169,166	8,207,904
Cumulative results of operations		
Earmarked funds (Note 21)	62,052,699	65,388,181
Other funds	(2,908,108)	(2,112,853)
Total net position	67,313,757	71,483,232
Total liabilities and net position	$ 89,944,319	$ 92,783,756

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST
For the Years Ended September 30, 2008 and 2007
(Dollars in Thousands)

	2008	2007
NET COST OF OPERATIONS (Notes 1-S and 15)		
CROSSCUTTING PROGRAMS		
Income maintenance		
Gross cost	$ 53,680,770	$ 43,231,820
Less earned revenue	(3,365,944)	(3,265,223)
Net program cost	50,314,826	39,966,597
Employment and training		
Gross cost	5,703,975	6,088,647
Less earned revenue	(12,184)	(44,925)
Net program cost	5,691,791	6,043,722
Labor, employment and pension standards		
Gross cost	694,041	716,808
Less earned revenue	(13,240)	(11,024)
Net program cost	680,801	705,784
Worker safety and health		
Gross cost	920,563	882,471
Less earned revenue	(2,837)	(2,405)
Net program cost	917,726	880,066
OTHER PROGRAMS		
Statistics		
Gross cost	611,049	613,949
Less earned revenue	(5,275)	(6,083)
Net program cost	605,774	607,866
COSTS NOT ASSIGNED TO PROGRAMS		
Gross cost	111,912	93,009
Less earned revenue not attributed to programs	(15,836)	(6,325)
Net cost not assigned to programs	96,076	86,684
Net cost of operations	$ 58,306,994	$ 48,290,719

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2008 and 2007
(Dollars in Thousands)

	2008			2007		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Cumulative results of operations, beginning	$ 65,388,181	$ (2,112,853)	$ 63,275,328	$ 57,146,431	$ (1,434,125)	$ 55,712,306
Budgetary financing sources (Note 1-T)						
Appropriations used	-	10,107,739	10,107,739	-	10,482,552	10,482,552
Non-exchange revenue (Note 16)						
Employer taxes	38,307,831	-	38,307,831	39,910,946	-	39,910,946
Interest	3,639,276	5,423	3,644,699	3,348,577	9,542	3,358,119
Assessments	-	136,827	136,827	-	140,578	140,578
Reimbursement of unemployment benefits	1,768,182	-	1,768,182	1,632,863	-	1,632,863
Total non-exchange revenue	43,715,289	142,250	43,857,539	44,892,386	150,120	45,042,506
Transfers without reimbursement (Note 17)	(3,683,586)	3,773,365	89,779	(3,470,145)	3,666,500	196,355
Other financing sources (Note 1-U)						
Imputed financing from costs absorbed by others	195	117,814	118,009	253	129,606	129,859
Transfers without reimbursement (Note 17)	-	3,191	3,191	-	2,469	2,469
Total financing sources	40,031,898	14,144,359	54,176,257	41,422,494	14,431,247	55,853,741
Net cost of operations	(43,367,380)	(14,939,614)	(58,306,994)	(33,180,744)	(15,109,975)	(48,290,719)
Net change	(3,335,482)	(795,255)	(4,130,737)	8,241,750	(678,728)	7,563,022
Cumulative results of operations, ending	62,052,699	(2,908,108)	59,144,591	65,388,181	(2,112,853)	63,275,328
Unexpended appropriations, beginning	-	8,207,904	8,207,904	-	8,242,168	8,242,168
Budgetary financing sources (Note 1-T)						
Appropriations received (Note 18-F)	-	10,936,004	10,936,004	-	11,006,912	11,006,912
Appropriations transferred	-	(431,909)	(431,909)	-	(426,657)	(426,657)
Appropriations not available	-	(435,094)	(435,094)	-	(131,967)	(131,967)
Appropriations used	-	(10,107,739)	(10,107,739)	-	(10,482,552)	(10,482,552)
Subtotal	-	(38,738)	(38,738)	-	(34,264)	(34,264)
Unexpended appropriations ending	-	8,169,166	8,169,166	-	8,207,904	8,207,904
Net position	$ 62,052,699	$ 5,261,058	$ 67,313,757	$ 65,388,181	$ 6,095,051	$ 71,483,232

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2008 and 2007
(Dollars in Thousands)

	2008	2007
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1	$ 4,311,781	$ 4,196,286
Recoveries of prior year unpaid obligations	418,195	220,673
Budget authority		
Appropriations received (Note 18-F)	58,784,002	56,921,801
Borrowing authority	426,000	426,000
Spending authority from offsetting collections		
Earned		
Collected	2,947,436	2,787,587
Change in receivables from Federal sources	(3,996)	(5,294)
Change in unfilled customer orders		
Advance received	2,312	(219)
Without advance from Federal sources	-	-
Expenditure transfers from trust funds	3,772,387	3,665,542
Total budget authority	65,928,141	63,795,417
Nonexpenditure transfers, net	(9,750)	(389,627)
Temporarily not available pursuant to Public Law	(198,557)	(8,474,004)
Permanently not available	(852,906)	(132,191)
Total budgetary resources	$ 69,596,904	$ 59,216,554
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 18-A)		
Direct	$ 62,457,299	$ 52,020,071
Reimbursable	2,982,177	2,884,702
Total obligations incurred	65,439,476	54,904,773
Unobligated balances available		
Apportioned	2,499,272	2,440,989
Exempt from apportionment	239,399	178,948
Total unobligated balances available	2,738,671	2,619,937
Unobligated balances not available	1,418,757	1,691,844
Total status of budgetary resources	$ 69,596,904	$ 59,216,554
CHANGE IN OBLIGATED BALANCE		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	$ 9,369,528	$ 9,020,444
Less uncollected customer payments from Federal sources, brought forward, October 1	(1,261,368)	(1,236,852)
Total unpaid obligated balance, net	8,108,160	7,783,592
Obligations incurred, net	65,439,476	54,904,773
Less gross outlays	(65,027,610)	(54,335,016)
Less recoveries of prior year unpaid obligations, actual	(418,195)	(220,673)
Change in uncollected customer payments from Federal sources	78,017	(24,516)
Obligated balance, net, end of period		
Unpaid obligations	9,363,199	9,369,528
Less uncollected customer payments from Federal sources	(1,183,351)	(1,261,368)
Total unpaid obligated balance, net, end of period	$ 8,179,848	$ 8,108,160
NET OUTLAYS		
Gross outlays	$ 65,027,610	$ 54,335,016
Less offsetting collections	(6,788,590)	(6,420,360)
Less distributed offsetting receipts	(740,880)	(795,011)
Net outlays	$ 57,498,140	$ 47,119,645

The accompanying notes are an integral part of these statements.

STATEMENT OF SOCIAL INSURANCE
As of September 30, 2008, 2007, 2006, 2005, and 2004
(Dollars in Thousands)

	Projection Periods Ending September 30, 2040				
				Unaudited	
	2008	2007	2006	2005	2004
BLACK LUNG DISABILITY BENEFIT PROGRAM (Notes 1-W and 23)					
Actuarial present value of future benefit payments during the projection period to disabled coal miners and dependent survivors	$ 2,139,810	$ 2,450,064	$ 2,722,801	$ 2,622,302	$ 2,880,559
Present value of estimated future administrative costs during the projection period	827,437	831,439	848,218	845,158	759,282
Actuarial value of future benefit payments and estimated administrative costs during the projection period	2,967,247	3,281,503	3,571,019	3,467,460	3,639,841
Less the present value of estimated future excise tax income during the projection period	8,009,265	7,897,423	7,957,821	8,536,401	7,671,392
Excess of present value of estimated future excise tax income over actuarial present value of benefit payments and estimated administrative costs for the projection period	5,042,018	4,615,920	4,386,802	5,068,941	4,031,551
Present value of estimated future interest on U. S. Treasury advances during the projection period	22,544,657	21,134,984	20,838,219	21,583,744	19,949,150
Excess of present values of total estimated future payments over estimated future excise tax income for the projection period	(17,502,639)	(16,519,064)	(16,451,417)	(16,514,803)	(15,917,599)
Trust fund net position deficit at start of projection period (Note 21)	(10,439,186)	(10,027,701)	(9,604,743)	(9,160,009)	(8,711,444)
Present value of total estimated future payments and trust fund net position deficit over estimated future excise tax income for the projection period	$ (27,941,825)	$ (26,546,765)	$ (26,056,160)	$ (25,674,812)	$ (24,629,043)

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Department of Labor (DOL or the Department), a cabinet level agency of the Executive Branch of the United States Government, was established in 1913, to promote the welfare of the wage earners of the United States. Today the Department's mission remains the same: to foster and promote the welfare of the job seekers, wage earners and retirees of the United States by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening free collective bargaining, and tracking changes in employment, prices, and other economic measurements.

DOL is organized into major program agencies, which administer the various statutes and programs for which the Department is responsible. Through the execution of its congressionally approved budget, DOL conducts operations in five major Federal program areas, under four major budget functions: education, training, employment, and social services; health (occupational health and safety); income security; and national defense. DOL's major program agencies, major programs in which they operate, and the relationship of these programs to the Department's 2008 Strategic Goals are shown below.

1. Major program agencies

- Employment and Training Administration (ETA)
- Employment Standards Administration (ESA)
- Office of Job Corps
- Occupational Safety and Health Administration (OSHA)
- Bureau of Labor Statistics (BLS)
- Mine Safety and Health Administration (MSHA)
- Employee Benefits Security Administration (EBSA)
- Veterans' Employment and Training (VETS)
- Other Departmental Programs
  - Office of the Assistant Secretary for Administration and Management
  - Office of the Solicitor
  - Office of the Chief Financial Officer
  - Office of the Inspector General
  - Bureau of International Labor Affairs
  - Women's Bureau
  - Office of Disability Employment Policy

The Pension Benefit Guaranty Corporation (PBGC), a wholly owned Federal government corporation under the chairmanship of the Secretary of Labor, has been designated by the Office of Management and Budget (OMB) as a separate reporting entity for financial statement purposes and has been excluded from the DOL reporting entity for purposes of these consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

2. Major programs

- Income maintenance – Strategic Goal 4
- Employment and training – Strategic Goals 1 and 2
- Labor, employment, and pension standards – Strategic Goals 3 and 4
- Worker safety and health – Strategic Goal 3
- Statistics – Strategic Goal 1

3. Fund accounting structure

DOL's financial activities are accounted for by Federal account symbol, utilizing individual funds and fund accounts within distinct fund types used in reporting to Treasury Financial Management Services and OMB. For financial statement purposes, funds are classified as earmarked funds and all other funds.

Earmarked funds are financed by specifically identified revenues often supplemented by other financing sources which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the Government's general revenues. Earmarked funds and all other funds are identified as follows:

Earmarked funds

The Unemployment Trust Fund was established under the authority of Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, and disburse monies collected under the Federal Unemployment Tax Act, as well as state unemployment taxes collected by the states and transferred to the Fund, and unemployment taxes collected by the Railroad Retirement Board and transferred to the Fund.

The Black Lung Disability Trust Fund, established under Part C of the Black Lung Benefits Revenue Act, provides compensation and medical benefits to coal miners who suffer disability due to pneumoconiosis, and compensation benefits to their dependent survivors for claims filed subsequent to June 30, 1973. Claims filed from the origination of the program until June 30, 1973 are paid by the general fund Special Benefits to Disabled Coal Miners.

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

The Panama Canal Commission Compensation Fund was established to pay workers compensation obligations of the Panama Canal Commission under the Federal Employees' Compensation Act from funding provided by the Commission.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure – continued

Earmarked funds - continued

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.

All other funds

- General funds

Salaries and Expenses include appropriated funds which are used to carry out the missions and functions of the Department, except where specifically provided for from other Departmental funds.

Training and Employment Services provides for a flexible, decentralized system of Federal and local programs of training and other services for the economically disadvantaged designed to lead to permanent gains in employment, through grants to states and Federal programs such as Job Corps, authorized by the Workforce Investment Act and the Job Training Partnership Act. The Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations Act, 2006 established an Office of Job Corps within the Office of the Secretary of Labor. This Act transferred management and administration of Job Corps activities from the Employment and Training Administration to an autonomous office under the Secretary during FY 2006. Job Corps funding, appropriated to ETA in 2006, was transferred to the Office of Job Corps via an allotment process. This funding mechanism continued in 2007. In FY 2007, costs were reported under the Employment and Training Administration where funds were originally budgeted and appropriated. The Consolidated Appropriations Act, 2008 appropriated Job Corps funding directly to the Office of Job Corps, mandating the creation of a new account for the Office of Job Corps. In FY 2008, Job Corps costs associated with the 2008 appropriation are reported under a new sub-organization for the Office of Job Corps at the Departmental level. Costs associated with prior year appropriations continue to be reported under the Employment and Training Administration.

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

Welfare to Work Jobs provides funding for the activities of the Welfare-to-Work Grants program established by the Balanced Budget Act of 1997. The program provides formula grants to States and Federally administered competitive grants to other eligible entities to assist welfare recipients in securing lasting unsubsidized employment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds - continued

- General funds - continued

State Unemployment Insurance and Employment Service Operations includes grants to states for administering the Unemployment Compensation and Employment Service programs. Unemployment Compensation provides administrative grants to state agencies which pay unemployment benefits to eligible individuals and collect state unemployment taxes from employers. The Employment Service is a nationwide system providing no-fee employment services to individuals seeking employment and to employers seeking workers. Employment Service activities are financed by allotments to states distributed under a demographically based funding formula established under the Wagner-Peyser Act, as amended.

Payments to the Unemployment Trust Fund was initiated as a result of amendments to the Emergency Unemployment Compensation (EUC) law, which provided general fund financing to the Unemployment Trust Fund to pay emergency unemployment benefits and the administrative costs.

Advances to the Unemployment Trust Fund and Other Funds provides advances to other accounts within the Unemployment Trust Fund to pay unemployment compensation whenever the balances in these accounts prove insufficient or whenever reimbursements to certain accounts, as allowed by law, are to be made. This account also provides repayable advances to the Black Lung Disability Trust Fund to make disability payments whenever the fund balance proves insufficient.

Federal Unemployment Benefits and Allowances provides for payment of benefits, training, job search, and relocation allowances as authorized by the Trade Act of 1974.

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

The Federal Employees' Compensation Act Special Benefit Fund provides wage replacement benefits and payment for medical services to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury. The Fund also provides for rehabilitation of injured employees to facilitate their return to work.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure – continued

All other funds - continued

- General funds - continued

The Energy Employees Occupational Illness Compensation Fund was established to adjudicate, administer, and pay claims for benefits under the Energy Employees Occupational Illness Compensation Program Act of 2000. The Act authorizes lump sum payments and the reimbursement of medical expenses to employees of the Department of Energy (DOE) or of private companies under contract with DOE, who suffer from specified diseases as a result of their work in the nuclear weapons industry. The Act also authorizes compensation to the survivors of these employees under certain circumstances. The Act was amended by the Ronald Reagan National Defense Authorization Act of 2005 to provide coverage to additional claimants.

Special Benefits for Disabled Coal Miners was established under the Federal Mine Safety and Health Act to pay benefits to coal miners disabled from pneumoconiosis and to their widows and certain other dependents. Part B of the Act assigned processing of claims filed from the origination of the program until June 30, 1973 to the Social Security Administration. Part B claims processing and payment operations were transferred to DOL effective October 1, 2003.

- Revolving funds

The Working Capital Fund maintains and operates a program of centralized services in the national office and the field. The Fund is paid in advance by the agencies, bureaus, and offices for which centralized services are provided, at rates which return the full cost of operations.

- Miscellaneous receipt and clearing accounts

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

Clearing accounts hold monies which belong to DOL, but for which a specific receipt account has not been determined.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure – continued

All other funds - continued

- Trust funds

The Longshore and Harbor Workers' Compensation Act Trust Fund, established under the authority of the Longshore and Harbor Workers' Compensation Act, provides medical benefits, compensation for lost wages, and rehabilitation services for job-related injuries and diseases or death to private sector workers in certain maritime and related employment.

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

- Deposit funds

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

4. Inter-departmental relationships

DOL and Treasury are jointly responsible for the operations of the Unemployment Trust Fund and the Black Lung Disability Trust Fund. DOL is responsible for the administrative oversight and policy direction of the programs financed by these trust funds. Treasury acts as custodian over monies deposited into the funds and also invests amounts in excess of disbursing requirements in Treasury securities on behalf of DOL. DOL consolidates the financial results of the Unemployment Trust Fund and the Black Lung Disability Trust Fund into these financial statements.

B. Basis of Accounting and Presentation

These consolidated financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and estimated and actuarial projections for the Black Lung social insurance program of the U.S. Department of Labor, in accordance with U.S. generally accepted accounting principles and the form and content requirements of OMB Circular No. A 136, "Financial Reporting Requirements." Except as described in the following paragraphs, they have been prepared from the books and records of DOL, and include the accounts of all funds under the control of the DOL reporting entity. All inter-fund balances and transactions have been eliminated, except in the Statement of Budgetary Resources. OMB Circular No. A-136 requires that the Statement of Budgetary Resources be presented on a combined basis. DOL changed the financial statement presentation of its custodial activities from a principal financial statement to a disclosure in the accompanying notes to the consolidated financial statements in 2008, as allowed by OMB Circular No. A 136 when this activity is immaterial. Fiscal year 2007 consolidated financial statements and notes have been revised to conform to the current year presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007

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 legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

OMB Circular No. A-136 requires the parent to report all budgetary and proprietary activity in its financial statements. DOL allocates appropriations to the Department of Agriculture and the Department of Interior to provide funds for youth training programs. Accordingly, all activity for these allocation accounts is included in the DOL financial statements for FY 2008 and FY 2007. Appropriations have been allocated to DOL from the Environmental Protection Agency, the General Services Administration, and the Agency for International Development. These amounts have not been included in the DOL financial statements for FY 2008 or FY 2007, as they are reported by those other agencies.

U.S. generally accepted accounting principles encompass both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of federal funds. These consolidated financial statements are different from the financial reports, also prepared by DOL pursuant to OMB directives, used to monitor DOL's use of budgetary resources.

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

C. Funds with U.S. Treasury

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Investments

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

Balances held in the Unemployment Trust Fund are invested in non-marketable, special issue Treasury securities (certificates of indebtedness and bonds) available for purchase exclusively by Federal government agencies and trust funds. Special issues are purchased and redeemed at face value (cost), which is equivalent to their net carrying value on the Consolidated Balance Sheet. Interest rates and maturity dates vary. Balances held in the Panama Canal Commission Compensation Fund are invested in marketable Treasury securities. These investments are stated at amortized costs that equal to their net carrying value on the Consolidated Balance Sheet. Discounts and premiums are amortized using the effective interest method. Interest rates and maturity dates vary. Management expects to hold these marketable securities until maturity; therefore, no provision is made in the financial statements for unrealized gains or losses.

Other funds also have investments in Treasury securities. Balances held in the Longshore and Harbor Workers' Compensation Act Trust Fund, the District of Columbia Workmen's Compensation Act Trust Fund, and the Energy Employees Occupational Illness Compensation Fund are invested in non-marketable Treasury one day certificates. (See Note 3)

E. Accounts Receivable, Net of Allowance

Accounts receivable consists of intra-governmental amounts due to DOL, as well as amounts due from the public.

1. **Intra-governmental accounts receivable**

   The Federal Employees Compensation (FEC) account within the Unemployment Trust Fund provides unemployment insurance to eligible Federal workers (UCFE) and ex-service members (UCX). DOL recognizes as accounts receivable amounts due from other Federal agencies for unreimbursed UCFE and UCX benefits. DOL's Federal Employees' Compensation Act (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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Accounts Receivable, Net of Allowance - Continued

1. Intra-governmental accounts receivable - continued

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

2. Accounts receivable due from the public

DOL recognizes as accounts receivable State unemployment taxes due from covered employers and reimbursements of benefits paid on behalf of reimbursable employers. Also recognized as accounts receivable are benefit overpayments made by DOL to individuals not entitled to receive the benefit.

DOL recognizes as accounts receivable amounts due from the public for fines and penalties levied against employers by OSHA, MSHA, ESA, and EBSA; for amounts due for backwages assessed against employers by ESA; and for amounts due from grantees and contractors for grant and contract costs disallowed by ETA.

3. Allowance for doubtful accounts

Accounts receivable due from the public are stated net of an allowance for uncollectible accounts. The allowance is estimated based on an aging of account balances, past collection experience, and an analysis of outstanding accounts at year-end. Intra-governmental accounts receivable are considered fully collectible. (See Note 4)

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

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

DOL's capitalization thresholds are displayed in the following table.

Property classification	Prior to FY 1996	FY 1996 through FY 2001	FY 2002 and thereafter	Useful life
Equipment – WCF	> $5,000	> $5,000	>= $50,000	>= 2 years
Equipment – Non WCF	> $5,000	> $25,000	>= $50,000	>= 2 years
Real Property Purchases or Improvements	> $5,000	> $25,000	> $500,000	>= 2 years
Leasehold Improvements	> $5,000	> $25,000	> $500,000	>= 2 years
Internal Use Software – WCF	> $5,000 *	> $5,000 *	> $300,000	>= 2 years
Internal Use Software – Non WCF	> $5,000	> $300,000	> $300,000	>= 2 years
* Costs were intended to be recovered through charges to other DOL users.				

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

PP&E purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred. PP&E are depreciated over their estimated useful lives using the straight-line method of depreciation.

Job Corps center construction costs are capitalized as construction-in-progress until completed. Upon completion they are reclassified as structures or facilities and depreciated over their estimated useful lives. Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration are recorded at cost and amortized over the remaining life of the lease or the useful life of the improvements, whichever is shorter, using the straight-line method of amortization. DOL has no operating leases which extend for a period of more than one year.

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

The table below shows the major classes of DOL's depreciable PP&E, and the depreciation periods used for each major classification. (See Note 5)

	Years
Structures, facilities and improvements	20 - 50
Furniture and equipment	2 - 36
ADP software	2 - 15

G. Advances

DOL advances consist primarily of payments made to State employment security agencies (SESAs), and to grantees and contractors to provide for future DOL program expenditures. These advance payments are recorded by DOL as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded by DOL. (See Note 6)

H. Non-entity Assets

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Liabilities

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

Liabilities are classified as covered by budgetary resources if budgetary resources are available. Liabilities are also considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. Liabilities are classified as not covered by budgetary resources if budgetary resources are not available. These classifications differ from budgetary reporting, which categorizes liabilities as obligated, consuming budgetary resources, or unobligated, not consuming budgetary resources. Unobligated liabilities include those covered liabilities for which available budgetary resources have not been obligated, as well as liabilities not covered for which budgetary resources are not available. (See Notes 11 and 12)

J. Advances from U.S. Treasury

The Benefits Revenue Act provides for repayable advances to DOL's Black Lung Disability Trust Fund when fund resources are not adequate to meet fund obligations. Budget authority is derived from the Black Lung Disability Trust Fund's indefinite authority to borrow. Repayable advances are provided through transfers from the Advances to the Unemployment Trust Fund and Other Funds appropriation, to the extent of borrowings under the authority. Advances are repayable with interest rate equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the anticipated period during which the advance will be outstanding. Advances made prior to 1982 carried rates of interest equal to the average rate borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt. Outstanding advances bear interest rates ranging from 4.250% to 13.875% at September 30, 2008 and from 4.500% to 13.875% at September 30, 2007. Amounts in the trust fund shall be available, as provided by appropriation acts, for the payment of interest on, and the repayment of these repayable advances. Interest and principal are paid to the General Fund of the Treasury when the Secretary of the Treasury determines that funds are available in the trust fund for such purposes. (See Note 8)

These advances were retired on October 7, 2008 under the refinancing agreement authorized by the enactment of the Energy Improvement and Extension Act of 2008 on October 3, 2008. The Act gave authority to the Black Lung Disability Trust Fund to issue obligations to the Secretary of Treasury and gave authority to the Secretary of Treasury to purchase the obligations. The repayable advances were retired with the proceeds from these obligations and a one time appropriation to the Trust Fund. (See Note 23)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K. Future Workers' Compensation Benefits

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

The actuarial methodology provides for the effects of inflation and adjusts historical payments to current year constant dollars by applying wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index-medical or CPIMs) to the calculation of projected benefits. The COLAs and CPIMs used in the projections for FY 2008 and FY 2007 were as follows:

	COLA		CPIM	
FY	2008	2007	2008	2007
2008	N/A	2.63%	N/A	3.74%
2009	3.87%	2.90%	4.01%	4.04%
2010	2.73%	2.47%	3.86%	4.00%
2011	2.20%	2.37%	3.87%	3.94%
2012	2.23%	2.30%	3.93%	3.94%
2013+	2.30%	2.30%	3.93%	3.94%

Projected annual payments were discounted to present value based on OMB's interest rate assumptions for ten year Treasury notes. For 2008, interest rate assumptions were 4.368% in year one and 4.770% in year two and thereafter. For 2007, interest rate assumptions were 4.93% in year one and 5.08% in year two and thereafter. (See Note 9)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Accrued Benefits

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

1. **Unemployment benefits payable**

   The Unemployment Trust Fund provides benefits to unemployed workers who meet State and Federal eligibility requirements. Regular and extended unemployment benefits are paid from State accounts within the Unemployment Trust Fund, financed primarily by a State unemployment tax on employer payrolls. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account (EUCA) within the Unemployment Trust Fund, financed by a Federal unemployment tax on employer payrolls. Emergency unemployment benefits, 2008, authorized by the Supplemental Appropriations Act, 2008, are paid from EUCA and are financed by Federal unemployment taxes and general fund appropriations. Emergency benefits were paid in prior years under the Temporary Extended Unemployment Compensation Act and the Emergency Unemployment Compensation Act. Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency. A liability is recognized for unpaid unemployment benefits applicable to the current period and for benefits paid by states that have not been reimbursed by the fund. DOL also recognizes a liability for Federal employees' unemployment benefits to the extent of unpaid benefits for existing claims filed during the current period, payable in the subsequent period.

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

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

3. **Black lung disability benefits payable**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Accrued Benefits - Continued

4. Energy employees occupational illness compensation benefits payable

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

5. Longshore and harbor workers' and District of Columbia disability benefits payable

The Longshore and Harbor Workers' Compensation Act Trust Fund and the District of Columbia Workmen's Compensation Act Trust Fund provide compensation and medical benefits for work- related injuries to workers in certain maritime employment and to employees of the District of Columbia, respectively. DOL recognizes a liability for disability benefits payable by these funds to the extent of unpaid benefits applicable to the current period.

M. Energy Employees Occupational Illness Compensation Benefits

The Energy Employees Occupational Illness Compensation Fund, established under the authority of the Energy Employees Occupational Illness Compensation Program Act of 2000 (EEOICPA), provides benefits to eligible current or former employees of DOE and its contractors, or to certain survivors of those employees and contractors, as well as benefits to certain beneficiaries of RECA. DOL is responsible for adjudicating and administering claims filed under the EEOICPA. Effective July 31, 2001, compensation of $150,000 and payment of medical expenses from the date a claim is filed are available to covered individuals suffering from designated illnesses incurred as a result of their work with DOE. Prior to October 2004, compensation of $50,000 and payment of medical expenses from the date a claim is filed are available to individuals eligible for compensation under RECA. As a result of the October 2004 changes, new RECA cases are paid the full $150,000 under EEOICPA.

The Ronald Reagan National Defense Authorization Act of 2005 amended EEOICPA to include Subtitle E – Contractor Employee Compensation. This amendment replaces Part D of the EEOICPA, which provided assistance from DOE in obtaining state workers' compensation benefits. The new program grants workers' compensation benefits to covered employees and their families for illness and death arising from exposure to toxic substances at a DOE facility. The amendment also makes it possible for uranium workers as defined under Section 5 of RECA to receive compensation under Part E for illnesses due to toxic substance exposure at a uranium mine or mill covered under that Act. These claims were formerly administered and paid by the Department of Justice (DOJ).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Energy Employees Occupational Illness Compensation Benefits - Continued

DOL has recognized an $8.1 billion and $7.5 billion actuarial liability for estimated future benefits payable by DOL at September 30, 2008 and 2007, respectively, to eligible individuals under the EEOICPA. At September 30, 2008, the undiscounted liability is $13.1 billion discounted to a present value liability of $8.1 billion based on an interest rate of 4.770% projected over a 52 year period. At September 30, 2007, the undiscounted liability is $11.1 billion discounted to a present value liability of $7.5 billion based on an interest rate 5.078% projected over a 51 year period. The estimated liability includes the expected lump sum and estimated medical payments for approved compensation cases and cases filed pending approval, as well as claims incurred but not yet filed. The actuarial projection methodology provided an estimate of the ultimate number of reported cases as a result of estimating future claims from the historical patterns of reported claims and subsequent claim approval rates. Medical payments were derived by estimating an average benefit award per living employee claimant.

N. Accrued Leave

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

O. Employee Health and Life Insurance Benefits

DOL employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP). DOL matches the employee contributions to each program to pay for current benefits. During 2008, DOL's contributions to the FEHBP and FEGLIP were $79.6 and $2.1 million, respectively. During 2007, DOL's contributions to the FEHBP and FEGLIP were $77.9 and $2.0 million, respectively. These contributions are recognized as current operating expenses.

P. Other Retirement Benefits

DOL employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. DOL recognizes a current operating expense for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense must be financed by OPM. Using cost factors supplied by OPM, DOL recorded ORB imputed costs and imputed financing sources of $81.1 million in 2008 and $86.5 million in 2007.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Q. Employee Pension Benefits

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). For employees participating in CSRS, 7.0% of their gross earnings is withheld and transferred to the Civil Service Retirement and Disability Fund. DOL contributes an additional 7.0% of the employee gross earnings to the Civil Service Retirement and Disability Fund. For employees participating in FERS, DOL withholds 0.8% of gross earnings and makes an 11.2% employer contribution. This total is transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by the OPM. DOL contributions to the CSRS and FERS are recognized as current operating expenses. FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to withholdings. DOL makes matching FICA contributions, recognized as operating expenses. DOL's matching contributions were $74.5 million in 2008 and $68.6 million in 2007.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. CSRS participants may contribute up to $15,500 of their gross pay to the TSP during calendar year 2008, but there is no departmental matching contribution. FERS participants may contribute up to $15,500 of their gross pay to the TSP during calendar year 2008. CSRS and FERS contribution limits were the same during calendar year 2007. For employees covered under FERS, DOL contributes 1% of the employees' gross pay to the TSP. DOL also matches employees' contributions dollar-for-dollar on the first 3% of pay contributed each pay period and 50 cents on the dollar for the next 2% of pay contributed. DOL contributions to the TSP are recognized as current operating expenses. Employee and employer contributions to the TSP are transferred to the Federal Retirement Thrift Investment Board.

DOL recognizes the full cost of providing future CSRS and FERS pension benefits to covered employees at the time the employees' services are rendered. The pension expense recognized in the financial statements equals the service cost for covered DOL employees, less amounts contributed by these employees. Service cost represents the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period.

The measurement of service cost requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM, and applied by DOL to the basic annual compensation of covered employees to arrive at the amount of total pension expense to be recognized in DOL's financial statements.

The excess of total pension expense over the amount contributed by the Department and by DOL's employees represents the amount of pension expense which must be financed directly by OPM. DOL recognized an imputed cost and an imputed financing source equal to the excess amount. DOL does not recognize in its financial statements FERS or CSRS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees. (See Note 14)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

R. Net Position

DOL's net position consists of the following:

1. **Unexpended appropriations**

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

2. **Cumulative results of operations**

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

S. Net Cost of Operations

1. **Operating costs**

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

2. **Earned revenue**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

T. Budgetary Financing Sources

Budgetary financing sources other than earned revenues provide funding for the Department's net cost of operations and are reported on the Consolidated Statement of Changes in Net Position. These financing sources include appropriations received, less appropriations transferred and not available, non-exchange revenue, and transfers without reimbursement, as discussed below:

1. **Appropriations received, appropriations transferred and appropriations not available**

   DOL receives financing sources through congressional appropriations to support its operations. A financing source is recognized for these appropriated funds received, less appropriations transferred or not available through rescission or cancellation.

2. **Non-exchange revenue**

   Non-exchange revenues arise from the Federal government's power to demand payments from the public. Non-exchange revenues are recognized by DOL on the Consolidated Statement of Changes in Net Position for the transfer of employer and excise taxes from the entities collecting these taxes and for interest from investments, as discussed below. (See Note 16)

   - Employer taxes

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

   Federal and state unemployment taxes represent non-exchange revenues collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service and transferred to designated accounts within the Unemployment Trust Fund. State unemployment taxes are collected by each State and deposited in separate State accounts within the Unemployment Trust Fund. Federal unemployment taxes are used to pay the Federal share of extended unemployment benefits and to provide for Federal and State administrative expenses related to the operation of the unemployment insurance program. State unemployment taxes are restricted in their use to the payment of unemployment benefits.

   - Interest

   The Unemployment Trust Fund, Longshore and Harbor Workers' Compensation Act Trust Fund, District of Columbia Workmen's Compensation Act Trust Fund, the Panama Canal Commission Compensation Fund, and the Energy Employees Occupational Illness Compensation Fund receive interest on fund investments. The Unemployment Trust Fund receives interest from states that had accounts with loans payable to the Federal unemployment account at the end of the prior fiscal year. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

T. Budgetary Financing Sources – Continued

2. Non-exchange revenue – continued

- Assessments

The Longshore and Harbor Workers' Compensation Act Trust Fund and District of Columbia Workmen's Compensation Act Trust Fund receive non-exchange revenues from assessments levied on insurance companies and self-insured employers. Assessments are recognized as non-exchange revenues when earned.

- Reimbursement of unemployment benefits

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

3. Transfers without reimbursement

Transfers recognized as budgetary financing sources by DOL include transfers from the Department of Homeland Security H-1B Nonimmigrant Petitioner Account to H-1B Funds in ETA and ESA. Also included are transfers from various DOL general fund unexpended appropriation accounts to the Working Capital Fund's cumulative results of operations. (See Note 17)

U. Other Financing Sources

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

1. Imputed financing

A financing source is imputed by DOL to provide for pension and other retirement benefit expenses recognized by DOL but financed by OPM. (See Notes 1-P and Q)

2. Transfers without reimbursement

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

V. Custodial Activity

DOL collects and transfers to the general fund of the U.S. Treasury custodial non-exchange revenues for penalties levied against employers by OSHA, MSHA, ESA, and EBSA for regulatory violations; for ETA disallowed grant costs assessed against canceled appropriations; and for FECA administrative costs assessed against government corporations in excess of amounts reserved to finance capital improvements in the Federal Employees' Compensation Act Special Benefit Fund. These collections are not available to the agencies for obligation or expenditure. Penalties and other assessments are recognized as custodial revenues when collected or subject to collection. (See Notes 1-B and 20)

W. Significant Assumptions Used in the Statement of Social Insurance

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

Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the sale of coal, as are the fund's administrative costs. These taxes are collected by the Internal Revenue Service and transferred to the BLDTF, which was established under the authority of the Black Lung Benefits Revenue Act, and administered by the U.S. Department of the Treasury. The Black Lung Benefits Revenue Act provides for repayable advances to the BLDTF from the General Fund of the Treasury, in the event that BLDTF resources are not adequate to meet program obligations.

The significant assumptions used in the projections for the Statement of Social Insurance are the number of beneficiaries, life expectancy, coal excise tax revenue estimates, the tax rate structure, Federal civilian pay raises, medical cost inflation, and the interest rate on new repayable advances from Treasury.

The Office of Tax Analysis of the Department of the Treasury provides estimates of future receipts of the black lung excise tax. Its estimates are based on projections of future coal production and sale prices prepared by the Energy Information Agency of the Department of Energy. The Department of Treasury's Office of Tax Analysis provides the first eleven years of tax receipt estimates. The remaining years are estimated using a growth rate based on both historical tax receipts and the Department of Treasury's estimated tax receipts. The coal excise tax rate structure is $1.10 per ton of underground-mined coal and $0.55 per ton of surface-mined coal sold, with a cap of 4.4 percent of sales price, through December 31, 2013. Starting in 2014, the tax rates revert to $0.50 per ton of underground-mined coal and $0.25 per ton surface-mine coal sold, and a limit of two percent of sales price.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

W. Significant Assumptions Used in the Statement of Social Insurance - Continued

The beneficiary population data is updated from information supplied by the program. The beneficiary population is a nearly closed universe in which attrition by death exceeds new entrants by a ratio of more than ten to one. Projections for new participants are included in the overall projections and are considered immaterial. Social Security Administration life tables are used to project the life expectancies of the beneficiary population. The Office of Management and Budget supplies assumptions for future monthly benefit rate increases based on increases in the Federal pay scale and future medical cost inflation based on increases in the consumer price index-medical, which are used to calculate future benefit costs. During the current projection period, future benefit rate increases 2.4% in each year and medical cost increases 3.9% in each year. Estimates for administrative costs for the first 11 years of the projection are supplied by DOL's Budget Office, based on current year enacted amounts, while later years are based on the number of projected beneficiaries. Estimates for future interest on advances are based on the interest rates on outstanding advances ranging from 4.250% to 13.875% and new borrowings ranging from 4.9% to 5.6%.

The projection period ends September 30, 2040, because the primary purpose of the BLDTF, which was established in 1978, is to compensate the victims of coal mine dust exposures which occurred prior to 1970. By the end of FY 2040, not only the disabled miners and their widows in that class, but also virtually all of their eligible dependent disabled adult children will be deceased. All of the current year projections are discounted using an interest rate of 4.25%, which is the last actual rate on advances taken at the end of FY 2008.

Based on Treasury's interpretation of the Energy Improvement and Extension Act of 2008, enacted on October 3, 2008, the temporary increase in coal excise tax rates was extended for an additional five years from January 1, 2014 to December 31, 2018. The higher excise tax rates will continue until the earlier of December 31, 2018 or the first December 31 after 2007 in which there exist no (1) balance of repayable advances described in section 9501 of the Internal Revenue Code and (2) unpaid interest on the advances. Although the language of section 9501 of the Internal Revenue Code uses the term "advances," the Treasury has interpreted the language to include any obligations of the Trust Fund to Treasury.

The Act also authorized the Black Lung Disability Trust Fund to issue obligations to the Secretary of the U.S. Treasury and gave authority to the Treasury Secretary to purchase the obligations. On the October 7, 2008 statutory refinancing date, the proceeds from issuance of these obligations, plus a one-time appropriation, were used to effect the retirement of the Advances from U.S. Treasury principal and interest that had been outstanding at the refinancing date.

The Statement of Social Insurance does not reflect the effect of these subsequent events. Refer to Note 23 for the effect of this debt restructuring on the projections included in the Statement of Social Insurance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

X. Tax Exempt Status

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

Y. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Z. Reclassifications

Certain reclassifications have been made to 2007 financial statements to conform to the 2008 presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury at September 30, 2008 consisted of the following:

	Entity Assets					
(Dollars in thousands)	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed	Total Entity Assets	Non-entity Assets	Total
Revolving funds	$ 13,388	$ -	$ 45,518	$ 58,906	$ -	$ 58,906
Trust funds	192,605	-	(285,620)	(93,015)	(503)	(93,518)
General funds	2,489,715	1,340,149	5,555,362	9,385,226	-	9,385,226
Other	-	-	-	-	78,316	78,316
	$ 2,695,708	$ 1,340,149	$ 5,315,260	$ 9,351,117	$ 77,813	$ 9,428,930

Funds with U.S. Treasury at September 30, 2007 consisted of the following:

	Entity Assets					
(Dollars in thousands)	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed	Total Entity Assets	Non-entity Assets	Total
Revolving funds	$ 9,254	$ -	$ 37,715	$ 46,969	$ -	$ 46,969
Trust funds	172,261	-	(28,292)	143,969	(115)	143,854
General funds	2,415,351	1,604,964	5,692,427	9,712,742	-	9,712,742
Other	-	-	-	-	79,387	79,387
	$ 2,596,866	$ 1,604,964	$ 5,701,850	$ 9,903,680	$ 79,272	$ 9,982,952

The negative fund balances reported as of September 30, 2008 and 2007 relate to the Unemployment Trust Fund (UTF) and are the result of the timing of processing the investments and redemptions of UTF. The investments and redemptions relating to the last business day of the month are not processed until the first day of the next month. This could result in a negative cash position for the preceding business day if the disbursements are greater than the receipts to the fund.

Unobligated Balance Available at September 30, 2008 includes $378 million of funds apportioned for use in the subsequent year.

NOTE 3 - INVESTMENTS

Investments at September 30, 2008 consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Interest Receivable	Net Value	Market Value
Unemployment Trust Fund					
Non-marketable					
Special issue U.S. Treasury Bonds					
4.875% maturing June 30, 2009	3,304,955	-	40,279	3,345,234	3,304,955
5.000% maturing June 30, 2009	11,000,000	-	137,500	11,137,500	11,000,000
5.000% maturing June 30, 2010	24,855,747	-	310,697	25,166,444	24,855,747
4.500% maturing June 30, 2010	5,000,000	-	56,250	5,056,250	5,000,000
4.500% maturing June 30, 2011	28,271,737	-	318,057	28,589,794	28,271,737
	72,432,439	-	862,783	73,295,222	72,432,439
Panama Canal Commission Compensation Fund					
Marketable					
U.S. Treasury Notes					
3.500% to 4.750% various maturities	70,089	5	1,166	71,260	71,247
U.S. Treasury Bonds					
11.750% various maturities	5,163	472	228	5,863	5,729
	75,252	477	1,394	77,123	76,976
Longshore and Harbor Workers' Compensation Act Trust Fund					
Non-marketable					
One Day Certificate					
0.330% maturing October 1, 2008	61,905	-	-	61,905	61,905
District of Columbia Workmen's Compensation Act Trust Fund					
Non-marketable					
One Day Certificate					
0.330% maturing October 1, 2008	5,160	-	-	5,160	5,160
Energy Employees Occupational Illness Compensation Fund					
Non-marketable					
One Day Certificate					
0.330% maturing October 1, 2008	125,265	-	-	125,265	125,265
	$ 72,700,021	$ 477	$ 864,177	$ 73,564,675	$ 72,701,745
Entity investments	$ 72,590,369	$ 477	$ 862,871	$ 73,453,717	$ 72,592,093
Non-entity investments	109,652	-	1,306	110,958	109,652
	$ 72,700,021	$ 477	$ 864,177	$ 73,564,675	$ 72,701,745

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007

NOTE 3 - INVESTMENTS - Continued

Investments at September 30, 2007 consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Interest Receivable	Net Value	Market Value
Unemployment Trust Fund					
Non-marketable					
U.S. Treasury Certificates of Indebtedness					
5.000% maturing June 30, 2008	8,208,313	-	64,004	8,272,317	8,208,313
Special issue U.S. Treasury Bonds					
4.625% maturing June 30, 2008	10,879,148	-	125,790	11,004,938	10,879,148
4.875% maturing June 30, 2008	10,000,000	-	121,875	10,121,875	10,000,000
4.875% maturing June 30, 2009	9,980,072	-	121,632	10,101,704	9,980,072
5.000% maturing June 30, 2009	11,000,000	-	137,500	11,137,500	11,000,000
5.000% maturing June 30, 2010	24,855,747	-	310,697	25,166,444	24,855,747
	74,923,280	-	881,498	75,804,778	74,923,280
Panama Canal Commission Compensation Fund					
Marketable					
U.S. Treasury Bill					
Maturing November 15, 2007	7,170	(43)	-	7,127	7,138
U.S. Treasury Notes					
3.625% to 5.625% various maturities	43,152	(142)	753	43,763	43,418
U.S. Treasury Bonds					
10.375% to 11.750% various maturities	27,078	1,013	1,080	29,171	28,054
	77,400	828	1,833	80,061	78,610
Longshore and Harbor Workers' Compensation Act Trust Fund					
Non-marketable					
One Day Certificate					
3.99% maturing October 1, 2007	69,979	-	16	69,995	69,979
District of Columbia Workmen's Compensation Act Trust Fund					
Non-marketable					
One Day Certificate					
3.99% maturing October 1, 2007	6,585	-	1	6,586	6,585
Energy Employees Occupational Illness Compensation Fund					
Non-marketable					
One Day Certificate					
3.99% maturing October 1, 2007	53,062	-	12	53,074	53,062
	$ 75,130,306	$ 828	$ 883,360	$ 76,014,494	$ 75,131,516
Entity investments	$ 75,022,470	$ 828	$ 882,091	$ 75,905,389	$ 75,023,680
Non-entity investments	107,836	-	1,269	109,105	107,836
	$ 75,130,306	$ 828	$ 883,360	$ 76,014,494	$ 75,131,516

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable at September 30, 2008 consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 292,833	$ -	$ 292,833
Due for workers' compensation benefits	3,771,775	-	3,771,775
Other	12,269	-	12,269
	4,076,877	-	4,076,877
Entity assets			
State unemployment taxes	823,667	(639,682)	183,985
Due from reimbursable employers	502,342	(28,540)	473,802
Benefit overpayments	1,935,897	(1,678,795)	257,102
Other	13,126	(2,127)	10,999
	3,275,032	(2,349,144)	925,888
Non-entity assets			
Fines and penalties	76,778	(32,605)	44,173
Backwages	16,785	(10,418)	6,367
	93,563	(43,023)	50,540
	3,368,595	(2,392,167)	976,428
	$ 7,445,472	$ (2,392,167)	$ 5,053,305

Accounts receivable at September 30, 2007 consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 302,723	$ -	$ 302,723
Due for workers' compensation benefits	3,754,382	-	3,754,382
Other	11,598	-	11,598
	4,068,703	-	4,068,703
Entity assets			
State unemployment taxes	922,643	(646,571)	276,072
Due from reimbursable employers	489,269	(30,077)	459,192
Benefit overpayments	1,907,770	(1,656,975)	250,795
Other	8,864	(1,727)	7,137
	3,328,546	(2,335,350)	993,196
Non-entity assets			
Fines and penalties	92,805	(31,820)	60,985
Backwages	10,839	(4,797)	6,042
	103,644	(36,617)	67,027
	3,432,190	(2,371,967)	1,060,223
	$ 7,500,893	$ (2,371,967)	$ 5,128,926

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007

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

Property, plant and equipment at September 30, 2008 consisted of the following:

(Dollars in thousands)	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 1,067,982	$ (437,047)	$ 630,935
Improvements to leased facilities	423,580	(233,798)	189,782
	1,491,562	(670,845)	820,717
Furniture and equipment			
Equipment held by contractors	166,504	(159,612)	6,892
Furniture and equipment	51,777	(36,132)	15,645
	218,281	(195,744)	22,537
ADP software	206,369	(92,110)	114,259
Construction-in-progress	90,233	-	90,233
Land	93,253	-	93,253
	$ 2,099,698	$ (958,699)	$ 1,140,999

Property, plant and equipment at September 30, 2007 consisted of the following:

(Dollars in thousands)	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 1,014,233	$ (409,570)	$ 604,663
Improvements to leased facilities	427,769	(228,257)	199,512
	1,442,002	(637,827)	804,175
Furniture and equipment			
Equipment held by contractors	168,049	(161,300)	6,749
Furniture and equipment	54,067	(36,653)	17,414
	222,116	(197,953)	24,163
ADP software	190,014	(74,433)	115,581
Construction-in-progress	78,651	-	78,651
Land	93,249	-	93,249
	$ 2,026,032	$ (910,213)	$ 1,115,819

NOTE 6 - ADVANCES

Advances at September 30, 2008 and 2007 consisted of the following:

Advances at September 30, 2008 and 2007 consisted of the following:

(Dollars in thousands)	2008	2007
Advances to states for UI benefit payments	$ 706,556	$ 509,848
Advances to grantees and contractors to finance future DOL program expenditures	35,947	29,504
Other	13,907	2,213
	$ 756,410	$ 541,565

NOTE 7 - NON-ENTITY ASSETS

Non-entity assets consisted of the following at September 30, 2008 and 2007:

(Dollars in thousands)	2008	2007
Intra-governmental		
Funds with U.S. Treasury	$ 77,813	$ 79,272
Investments	110,958	109,105
	188,771	188,377
Accounts receivable, net of allowance	50,540	67,027
	$ 239,311	$ 255,404

NOTE 8 - ADVANCES FROM U.S. TREASURY

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2008 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2007	Net Borrowing	Balance at September 30, 2008
Intra-governmental			
Borrowing from the Treasury	$ 10,057,557	$ 426,000	$ 10,483,557

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2007 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2006	Net Borrowing	Balance at September 30, 2007
Intra-governmental			
Borrowing from the Treasury	$ 9,631,557	$ 426,000	$ 10,057,557

These advances were retired on October 7, 2008 under the refinancing agreement authorized by the enactment of the Energy Improvement and Extension Act of 2008 on October 3, 2008. (See Note 23)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007

NOTE 9 - FUTURE WORKERS' COMPENSATION BENEFITS

DOL's liability for future workers' compensation benefits at September 30, 2008 and 2007 consisted of the following:

(Dollars in thousands)	2008	2007
Projected gross liability of the Federal government for future FECA benefits	$ 27,589,632	$ 26,306,065
Less liabilities attributed to other agencies:		
U.S. Postal Service	(9,543,798)	(8,923,407)
Department of Navy	(2,685,911)	(2,694,074)
Department of Army	(1,980,257)	(1,977,872)
Department of Veterans Affairs	(1,905,472)	(1,826,564)
Department of Air Force	(1,395,449)	(1,381,158)
Department of Transportation	(985,336)	(949,465)
Department of Homeland Security	(1,795,351)	(1,683,569)
Tennessee Valley Authority	(532,499)	(538,096)
Department of Treasury	(593,196)	(573,038)
Department of Agriculture	(832,013)	(775,281)
Department of Justice	(1,136,570)	(1,046,480)
Department of Interior	(692,389)	(659,333)
Department of Defense, Other	(800,883)	(777,041)
Department of Health and Human Services	(282,517)	(275,776)
Social Security Administration	(297,932)	(271,981)
General Services Administration	(163,826)	(164,883)
Department of Commerce	(169,580)	(164,416)
Department of Energy	(104,734)	(105,231)
Department of State	(68,892)	(68,078)
Department of Housing & Urban Development	(84,529)	(81,779)
Department of Education	(16,554)	(16,186)
National Aeronautics and Space Administration	(63,977)	(64,060)
Environmental Protection Agency	(44,615)	(39,786)
Small Business Administration	(27,061)	(26,321)
Office of Personnel Management	(22,139)	(21,020)
National Science Foundation	(1,198)	(1,182)
Nuclear Regulatory Commission	(7,059)	(6,833)
Agency for International Development	(23,137)	(23,528)
Other	(569,922)	(533,779)
	(26,826,796)	(25,670,217)
	$ 762,836	$ 635,848
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	$ 473,892	$ 346,299
FECA benefits due to eligible workers of DOL and Job Corps enrollees	235,382	237,920
FECA benefits due to eligible workers of the Panama Canal Commission	53,562	51,629
	$ 762,836	$ 635,848

NOTE 10 – ACCRUED BENEFITS

Accrued benefits at September 30, 2008 and 2007 consisted of the following:

(Dollars in thousands)	2008	2007
State regular and extended unemployment benefits payable	$ 966,415	$ 1,053,055
Federal extended unemployment benefits payable	39,144	35,945
Federal emergency unemployment benefits payable, 2008	324,534	-
Federal temporary extended unemployment benefits payable	23,971	23,641
Federal emergency unemployment benefits payable, other	46,739	44,950
Federal employees' unemployment benefits payable	25,431	30,432
Federal employees' unemployment benefits for existing claims due in the subsequent year	202,759	123,576
Total unemployment benefits payable	1,628,993	1,311,599
Black lung disability benefits payable	40,003	43,277
Federal employees' disability and 10(h) benefits payable	76,952	65,937
Energy employees occupational illness compensation benefits payable	24,712	24,006
Longshore and harbor workers disability benefits payable	4,571	3,655
District of Columbia disability benefits payable	345	298
	$ 1,775,576	$ 1,448,772

NOTE 11 - OTHER LIABILITIES

Other liabilities at September 30, 2008 and 2007 consisted of the following current liabilities:

(Dollars in thousands)	2008	2007
Intra-governmental		
Accrued benefits	$ 13,055	$ 10,385
Unearned FECA assessments	52,724	51,192
Non-entity receipts due to U.S. Treasury	42,803	59,615
Amounts held for the Railroad Retirement Board	110,455	108,990
Advances from other Federal agencies	300	750
Total intra-governmental	219,337	230,932
Accrued payroll and benefits	59,043	48,280
Due to Backwage recipients	84,925	85,583
Unearned assessment revenue	41,217	41,965
Deposit and clearing accounts	1,127	1,216
Readjustment allowances and other Job Corps liabilities	54,537	83,330
	240,849	260,374
	$ 460,186	$ 491,306

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007

NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources at September 30, 2008 and 2007 consisted of the following:

(Dollars in thousands)	2008	2007
Intra-governmental		
Advances from U.S. Treasury	$ 10,483,557	$ 10,057,557
Future workers' compensation benefits	231,965	237,920
Accrued annual leave	105,763	96,014
Readjustment allowances and other Job Corps liabilities	54,537	83,330
	392,265	417,264
	$ 10,875,822	$ 10,474,821

NOTE 13 – CONTINGENCIES

The Department is involved in various lawsuits incidental to its operations. Judgments resulting from litigation against the Department are generally paid by the Department of Justice. In the opinion of management, the ultimate resolution of pending litigation will not have a material effect on the Department's financial position.

NOTE 14 - PENSION EXPENSE

Pension expense in 2008 consisted of the following:

(Dollars in thousands)	Employer Contributions	Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 22,251	$ 36,925	$ 59,176
Federal Employees' Retirement System	103,805	-	103,805
Thrift Savings Plan	39,286	-	39,286
	$ 165,342	$ 36,925	$ 202,267

Pension expense in 2007 consisted of the following:

(Dollars in thousands)	Employer Contributions	Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 24,503	$ 39,287	$ 63,790
Federal Employees' Retirement System	94,390	-	94,390
Thrift Savings Plan	36,092	-	36,092
	$ 154,985	$ 39,287	$ 194,272

NOTE 15 - PROGRAM COST

Schedules A, B, and C present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007

NOTE 15 - PROGRAM COST - Continued

A. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2008 consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Office of Job Corps	Occupational Safety and Health Administration
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 224,744	$ 901,873	$ -	$ -
With the public	47,143,092	5,387,831	-	-
Gross cost	47,367,836	6,289,704	-	-
Intra-governmental earned revenue	(728,874)	(2,658,557)	-	-
Public earned revenue	-	-	-	-
Less earned revenue	(728,874)	(2,658,557)	-	-
Net program cost	46,638,962	3,631,147	-	-
Employment and training				
Intra-governmental	40,395	-	9,493	-
With the public	4,634,551	-	808,342	-
Gross cost	4,674,946	-	817,835	-
Intra-governmental earned revenue	(11,569)	-	(47)	-
Public earned revenue	(245)	-	(323)	-
Less earned revenue	(11,814)	-	(370)	-
Net program cost	4,663,132	-	817,465	-
Labor, employment and pension standards				
Intra-governmental	-	122,364	-	-
With the public	-	257,241	-	-
Gross cost	-	379,605	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	(1,000)	-	-
Less earned revenue	-	(1,000)	-	-
Net program cost	-	378,605	-	-
Worker safety and health				
Intra-governmental	-	-	-	121,944
With the public	-	-	-	416,170
Gross cost	-	-	-	538,114
Intra-governmental earned revenue	-	-	-	(264)
Public earned revenue	-	-	-	(1,321)
Less earned revenue	-	-	-	(1,585)
Net program cost	-	-	-	536,529
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	-
With the public	-	-	-	-
Gross cost	-	-	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 51,302,094	$ 4,009,752	$ 817,465	$ 536,529

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
$ -	$ -	$ 11,693	$ -	$ 1,400	$ (87,352)	$ 1,052,358
-	-	23,254	-	8,370	65,865	52,628,412
-	-	34,947	-	9,770	(21,487)	53,680,770
-	-	-	-	-	21,487	(3,365,944)
-	-	-	-	-	-	-
-	-	-	-	-	21,487	(3,365,944)
-	-	34,947	-	9,770	-	50,314,826
-	-	-	10,262	427	(17,698)	42,879
-	-	-	199,760	745	17,698	5,661,096
-	-	-	210,022	1,172	-	5,703,975
-	-	-	-	-	-	(11,616)
-	-	-	-	-	-	(568)
-	-	-	-	-	-	(12,184)
-	-	-	210,022	1,172	-	5,691,791
-	-	44,430	1,023	15,787	(54,113)	129,491
-	-	111,589	19,047	122,560	54,113	564,550
-	-	156,019	20,070	138,347	-	694,041
-	-	(12,097)	-	(100)	-	(12,197)
-	-	(30)	-	(13)	-	(1,043)
-	-	(12,127)	-	(113)	-	(13,240)
-	-	143,892	20,070	138,234	-	680,801
-	115,333	-	-	4,164	(58,425)	183,016
-	256,221	-	-	6,731	58,425	737,547
-	371,554	-	-	10,895	-	920,563
-	(5)	-	-	-	-	(269)
-	(1,247)	-	-	-	-	(2,568)
-	(1,252)	-	-	-	-	(2,837)
-	370,302	-	-	10,895	-	917,726
204,912	-	-	-	11,973	(24,270)	192,615
374,813	-	-	-	19,351	24,270	418,434
579,725	-	-	-	31,324	-	611,049
(1)	-	-	-	-	-	(1)
(5,274)	-	-	-	-	-	(5,274)
(5,275)	-	-	-	-	-	(5,275)
574,450	-	-	-	31,324	-	605,774
-	-	-	-	115,823	(3,911)	111,912
-	-	-	-	(19,747)	3,911	(15,836)
-	-	-	-	96,076	-	96,076
$ 574,450	$ 370,302	$ 178,839	$ 230,092	$ 287,471	$ -	$ 58,306,994

NOTE 15 - PROGRAM COST - Continued

B. Consolidating Statement of Net Cost - Employment and Training Administration

Net cost of the Employment and Training Administration for the year ended September 30, 2008 consisted of the following:

(Dollars in thousands)	Employment Security	Training and Employment Programs	Office of Job Corps	Eliminations	Total
CROSSCUTTING PROGRAMS					
Income maintenance					
Benefits	$ 42,543,343	$ 91	$ -	$ -	$ 42,543,434
Grants	4,301,250	-	-	-	4,301,250
Interest	3,519	-	-	-	3,519
Administrative and other	519,222	41,411	-	(41,000)	519,633
Gross cost	47,367,334	41,502	-	(41,000)	47,367,836
Less earned revenue	(769,874)	-	-	41,000	(728,874)
Net program cost	46,597,460	41,502	-	-	46,638,962
Employment and training					
Benefits	-	16,178	4,023	-	20,201
Grants	-	3,829,199	99,997	-	3,929,196
Administrative and other	-	295,410	430,139	-	725,549
Gross cost	-	4,140,787	534,159	-	4,674,946
Less earned revenue	-	(11,272)	(542)	-	(11,814)
Net program cost	-	4,129,515	533,617	-	4,663,132
Net cost of operations	$ 46,597,460	$ 4,171,017	$ 533,617	$ -	$ 51,302,094

NOTE 15 - PROGRAM COST - Continued

C. Consolidating Statement of Net Cost - Employment Standards Administration

Net cost of the Employment Standards Administration for the year ended September 30, 2008 consisted of the following:

(Dollars in thousands)	Office of Workers' Compensation Programs	Office of Federal Contract Compliance	Wage and Hour Division	Office of Labor Management Standards	Eliminations	Total
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	$ 5,170,202	$ -	$ -	$ -	$ (1,712)	$ 5,168,490
Interest	739,469	-	-	-	-	739,469
Administrative and other	381,745	-	-	-	-	381,745
Gross cost	6,291,416	-	-	-	(1,712)	6,289,704
Less earned revenue	(2,660,269)	-	-	-	1,712	(2,658,557)
Net program cost	3,631,147	-	-	-	-	3,631,147
Labor, employment and pension standards						
Benefits	-	12,575	27,903	7,986	-	48,464
Administrative and other	-	86,773	197,433	46,935	-	331,141
Gross cost	-	99,348	225,336	54,921	-	379,605
Less earned revenue	-	-	(1,000)	-	-	(1,000)
Net program cost	-	99,348	224,336	54,921	-	378,605
Net cost of operations	$ 3,631,147	$ 99,348	$ 224,336	$ 54,921	$ -	$ 4,009,752

Schedules D, E and F present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2007.

NOTE 15 - PROGRAM COST - Continued

D. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2007 consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration	Bureau of Labor Statistics
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 233,861	$ 916,551	$ -	$ -
With the public	36,917,255	5,148,596	-	-
Gross cost	37,151,116	6,065,147	-	-
Intra-governmental earned revenue	(732,135)	(2,554,992)	-	-
Public earned revenue	(1,253)	-	-	-
Less earned revenue	(733,388)	(2,554,992)	-	-
Net program cost	36,417,728	3,510,155	-	-
Employment and training				
Intra-governmental	61,577	-	-	-
With the public	5,816,989	-	-	-
Gross cost	5,878,566	-	-	-
Intra-governmental earned revenue	(44,553)	-	-	-
Public earned revenue	(372)	-	-	-
Less earned revenue	(44,925)	-	-	-
Net program cost	5,833,641	-	-	-
Labor, employment and pension standards				
Intra-governmental	-	120,834	-	-
With the public	-	249,898	-	-
Gross cost	-	370,732	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	370,732	-	-
Worker safety and health				
Intra-governmental	-	-	123,047	-
With the public	-	-	406,101	-
Gross cost	-	-	529,148	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	(1,292)	-
Less earned revenue	-	-	(1,292)	-
Net program cost	-	-	527,856	-
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	195,947
With the public	-	-	-	385,328
Gross cost	-	-	-	581,275
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	(6,083)
Less earned revenue	-	-	-	(6,083)
Net program cost	-	-	-	575,192
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 42,251,369	$ 3,880,887	$ 527,856	$ 575,192

Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
$ -	$ 11,324	$ -	$ 2,007	$ (54,911)	$ 1,108,832
-	22,246	-	3,137	31,754	42,122,988
-	33,570	-	5,144	(23,157)	43,231,820
-	-	-	-	23,157	(3,263,970)
-	-	-	-	-	(1,253)
-	-	-	-	23,157	(3,265,223)
-	33,570	-	5,144	-	39,966,597
-	-	10,043	448	(20,803)	51,265
-	-	198,798	792	20,803	6,037,382
-	-	208,841	1,240	-	6,088,647
-	-	-	-	-	(44,553)
-	-	-	-	-	(372)
-	-	-	-	-	(44,925)
-	-	208,841	1,240	-	6,043,722
-	43,868	1,002	15,775	(50,701)	130,778
-	106,072	18,797	160,562	50,701	586,030
-	149,940	19,799	176,337	-	716,808
-	(10,982)	-	(25)	-	(11,007)
-	(17)	-	-	-	(17)
-	(10,999)	-	(25)	-	(11,024)
-	138,941	19,799	176,312	-	705,784
108,334	-	-	4,321	(53,979)	181,723
233,624	-	-	7,044	53,979	700,748
341,958	-	-	11,365	-	882,471
-	-	-	-	-	-
(1,113)	-	-	-	-	(2,405)
(1,113)	-	-	-	-	(2,405)
340,845	-	-	11,365	-	880,066
-	-	-	12,422	(23,272)	185,097
-	-	-	20,252	23,272	428,852
-	-	-	32,674	-	613,949
-	-	-	-	-	-
-	-	-	-	-	(6,083)
-	-	-	-	-	(6,083)
-	-	-	32,674	-	607,866
-	-	-	96,999	(3,990)	93,009
-	-	-	(10,315)	3,990	(6,325)
-	-	-	86,684	-	86,684
$ 340,845	$ 172,511	$ 228,640	$ 313,419	$ -	$ 48,290,719

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2008 and 2007

NOTE 15 - PROGRAM COST - Continued

E. Consolidating Statement of Net Cost - Employment and Training Administration

Net cost of the Employment and Training Administration for the year ended September 30, 2007 consisted of the following:

(Dollars in thousands)	Employment Security	Training and Employment Programs	Office of Job Corps	Eliminations	Total
CROSSCUTTING PROGRAMS					
Income maintenance					
Benefits	$ 32,334,443	$ 72	$ -	$ -	$ 32,334,515
Grants	4,258,410	-	-	-	4,258,410
Interest	3,772	-	-	-	3,772
Administrative and other	554,008	17,911	-	(17,500)	554,419
Gross cost	37,150,633	17,983	-	(17,500)	37,151,116
Less earned revenue	(750,888)	-	-	17,500	(733,388)
Net program cost	36,399,745	17,983	-	-	36,417,728
Employment and training					
Benefits	-	13,224	6,712	-	19,936
Grants	-	4,080,988	160,323	-	4,241,311
Administrative and other	-	314,076	1,303,243	-	1,617,319
Gross cost	-	4,408,288	1,470,278	-	5,878,566
Less earned revenue	-	(43,687)	(1,238)	-	(44,925)
Net program cost	-	4,364,601	1,469,040	-	5,833,641
Net cost of operations	$ 36,399,745	$ 4,382,584	$ 1,469,040	$ -	$ 42,251,369

NOTE 15 - PROGRAM COST - Continued

F. Consolidating Statement of Net Cost - Employment Standards Administration

Net cost of the Employment Standards Administration for the year ended September 30, 2007 consisted of the following:

(Dollars in thousands)	Office of Workers' Compensation Programs	Office of Federal Contract Compliance	Wage and Hour Division	Office of Labor Management Standards	Eliminations	Total
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	$ 4,924,372	$ -	$ -	$ -	$ (1,641)	$ 4,922,731
Interest	717,214	-	-	-	-	717,214
Administrative and other	425,202	-	-	-	-	425,202
Gross cost	6,066,788	-	-	-	(1,641)	6,065,147
Less earned revenue	(2,556,633)	-	-	-	1,641	(2,554,992)
Net program cost	3,510,155	-	-	-	-	3,510,155
Labor, employment and pension standards						
Benefits	-	11,736	25,750	7,261	-	44,747
Administrative and other	-	86,448	190,435	49,102	-	325,985
Gross cost	-	98,184	216,185	56,363	-	370,732
Less earned revenue	-	-	-	-	-	-
Net program cost	-	98,184	216,185	56,363	-	370,732
Net cost of operations	$ 3,510,155	$ 98,184	$ 216,185	$ 56,363	$ -	$ 3,880,887

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statement of Changes in Net Position in 2008 and 2007 consisted of the following:

(Dollars in thousands)	2008	2007
Employer taxes		
Unemployment Trust Fund		
Federal unemployment taxes	$ 7,281,534	$ 7,238,283
State unemployment taxes	30,373,647	32,033,466
	37,655,181	39,271,749
Black Lung Disability Trust Fund excise taxes	652,650	639,197
	38,307,831	39,910,946
Interest		
Unemployment Trust Fund	3,635,617	3,344,577
Longshore and Harbor Workers' Compensation Act Trust Fund	1,044	2,077
District of Columbia Workmen's Compensation Act Trust Fund	127	250
Panama Canal Commission Compensation Fund	3,108	3,537
Energy Employees Occupational Illness Compensation Fund	4,252	7,215
Black Lung Disability Trust Fund	551	463
	3,644,699	3,358,119
Assessments		
Longshore and Harbor Workers' Compensation Act Trust Fund	127,418	128,934
District of Columbia Workmen's Compensation Act Trust Fund	8,920	11,264
Other	489	380
	136,827	140,578
Reimbursement of unemployment benefits from state and local governments and non-profit organizations to the Unemployment Trust Fund	1,768,182	1,632,863
	$ 43,857,539	$ 45,042,506

NOTE 17 - TRANSFERS WITHOUT REIMBURSEMENT

Transfers from (to) other Federal agencies in 2008 and 2007 consisted of the following:

(Dollars in thousands)	2008	2007
Budgetary financing sources		
From H-1B Nonimmigrant Petitioner Account, Department of Homeland Security	$ 86,779	$ 193,355
From DOL general fund unexpended appropriation accounts to the DOL Working Capital Fund	3,000	3,000
	89,779	196,355
Other financing sources		
From General Services Administration	3,191	2,469
	3,191	2,469
	$ 92,970	$ 198,824

The balance of $89,779 and $196,355 in budgetary financing sources for FY 2008 and 2007, respectively, reflects the elimination of intra-DOL transfers of $3,683,586 and $3,470,145.

NOTE 18 - STATUS OF BUDGETARY RESOURCES

A. Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Combined Statement of Budgetary Resources in 2008 and 2007 consisted of the following:

(Dollars in thousands)	2008	2007
Direct Obligations		
Category A	$ 4,075,613	$ 4,121,138
Category B	9,137,416	9,068,443
Exempt from apportionment	49,244,270	38,830,490
Total direct obligations	62,457,299	52,020,071
Reimbursable Obligations		
Category A	206,345	194,918
Category B	2,775,832	2,689,784
Total reimbursable obligations	2,982,177	2,884,702
	$ 65,439,476	$ 54,904,773

B. Permanent Indefinite Appropriations

DOL’s permanent indefinite appropriations include all trust funds, the Federal Employees’ Compensation Act Special Benefit Fund, the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund, ETA and ESA H-1B funds, and portions of State Unemployment Insurance and Employment Service Operations and Federal Unemployment Benefits and Allowances. These funds are described in Note 1-A.3.

C. Legal Arrangements Affecting Use of Unobligated Balances

Unemployment Trust Fund receipts are reported as budget authority in the Combined Statement of Budgetary Resources. The portion of UTF receipts collected in the current year in excess of amounts needed to pay benefits and other valid obligations are precluded by law from being available for obligation. Therefore, these excess receipts are not classified as budgetary resources in the Combined Statement of Budgetary Resources. Current year excess receipts are reported as temporarily not available pursuant to Public Law. Conversely, when obligations exceed receipts in the current year, amounts are drawn from unavailable collections to meet these obligations. Cumulative excess receipts are not included in unobligated balances in the status of budgetary resources included in that Statement. All excess receipts are reported as assets of the UTF and are included in the Consolidated Balance Sheet. They will become available for obligation as needed in the future.

The cumulative amounts of excess UTF receipts are denoted as unavailable collections in the Budget of the United States Government. The cumulative amount of these excess receipts at September 30, 2008 and 2007 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)	2008	2007
Unemployment Trust Fund unavailable collections, beginning	$ 72,448	$ 63,995
Budget authority from current year appropriations	43,852	44,909
Less obligations	(46,791)	(36,456)
Excess (deficiency) of budget authority over obligations	(2,939)	8,453
Unemployment Trust Fund unavailable collections, ending	$ 69,509	$ 72,448

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

The Budget of the United States Government with actual amounts for the year ended September 30, 2008 has not been published as of the issue date of these financial statements. This document will be available in February 2009.

A reconciliation of budgetary resources, obligations incurred and net outlays, as presented in the Combined Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2007 is shown below.

(Dollars in millions)	Budgetary Resources	Obligations Incurred	Net Outlays
Combined Statement of Budgetary Resources	$ 59,217	$ 54,905	$ 47,120
Pension Benefit Guaranty Corporation reported separately	19,080	4,573	457
Distributed offsetting receipts	-	-	795
Amounts in the Combined Statement of Budgetary Resources not included in the budget	(81)	(12)	(5)
Expired accounts	(1,412)	(79)	-
Other	(16)	(8)	(7)
Budget of the United States Government	$ 76,788	$ 59,379	$ 48,360

E. Undelivered Orders

Undelivered orders at September 30, 2008 and 2007 were as follows.

(Dollars in thousands)	2008	2007
Undelivered orders	$ 5,604,384	$ 5,678,989

NOTE 18 - STATUS OF BUDGETARY RESOURCES – Continued

F. Appropriations Received

The Combined Statement of Budgetary Resources discloses appropriations received of $58,784 and $56,922 million for FY 2008 and 2007, respectively. Appropriations received on the Consolidated Statement of Changes in Net Position are $10,936 and $11,007 million for FY 2008 and 2007, respectively. The differences of $47,848 and $45,915 million represent certain dedicated and earmarked receipts recognized as exchange revenue or non-exchange revenue reported on the Consolidated Statement of Net Cost or the Consolidated Statement of Changes in Net Position.

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

(Dollars in thousands)	2008	2007
Resources used to finance activities		
Budgetary resources obligated		
Obligations incurred	$ 65,439,476	$ 54,904,773
Recoveries of prior year obligations	(418,195)	(220,673)
Less spending authority from offsetting collections	(6,718,139)	(6,447,616)
Obligations, net of offsetting collections and recoveries	58,303,142	48,236,484
Other resources		
Imputed financing from costs absorbed by others	118,009	129,859
Transfers, net	3,191	2,469
Exchange revenue not in budget	(733,748)	(784,278)
Total resources used to finance activities	57,690,594	47,584,534
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	(139,399)	108,524
Resources that finance the acquisition of assets	(102,539)	(129,596)
Total resources used to finance items not part of the net cost of operations	(241,938)	(21,072)
Total resources used to finance the net cost of operations	57,448,656	47,563,462
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 in annual leave liability	10,250	3,735
Increase in employee benefits liabilities	803,610	633,248
Other	(27,912)	24,250
Total	785,948	661,233
Components not requiring or generating resources		
Depreciation and amortization	66,248	61,233
Revaluation of assets and liabilities	483,119	461,967
Benefit overpayments	(476,977)	(457,176)
Total	72,390	66,024
Total components of the net cost of operations that will not require or generate resources in the current period	858,338	727,257
Net cost of operations	$ 58,306,994	$ 48,290,719

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NOTE 20 – SOURCES AND DISPOSITIONS OF CUSTODIAL REVENUE

Custodial revenues in 2008 consisted of the following:

(Dollars in thousands)	Cash Collections	Less Refunds	Net Cash Collections and Transfers to U.S. Treasury General Fund	Increase (Decrease) in Amounts to be Collected and Transferred	Total Revenues
Civil monetary penalties					
OSHA	$ 71,367	$ (182)	$ 71,185	$ 1,362	$ 72,547
MSHA	56,004	-	56,004	8,083	64,087
EBSA	25,776	-	25,776	(5,286)	20,490
ESA	27,442	-	27,442	(1,305)	26,137
	180,589	(182)	180,407	2,854	183,261
ETA disallowed grant costs	15,627	-	15,627	(19,392)	(3,765)
Other	1,209	-	1,209	(286)	923
	$ 197,425	$ (182)	$ 197,243	$ (16,824)	$ 180,419

Custodial revenues in 2007 consisted of the following:

(Dollars in thousands)	Cash Collections	Less Refunds	Net Cash Collections and Transfers to U.S. Treasury General Fund	Increase (Decrease) in Amounts to be Collected and Transferred	Total Revenues
Civil monetary penalties					
OSHA	$ 65,660	$ (233)	$ 65,427	$ 1,161	$ 66,588
MSHA	30,357	-	30,357	(1,330)	29,027
EBSA	24,168	-	24,168	3,511	27,679
ESA	11,689	-	11,689	395	12,084
	131,874	(233)	131,641	3,737	135,378
ETA disallowed grant costs	4,670	-	4,670	11,377	16,047
Other	2,676	(2)	2,674	-	2,674
	$ 139,220	$ (235)	$ 138,985	$ 15,114	$ 154,099

NOTE 21 – EARMARKED FUNDS

DOL is responsible for the operation of certain earmarked funds. Other earmarked funds include Gifts and Bequests, Panama Canal Commission Compensation Fund, and H-1B Funds. The financial position of the earmarked funds as of September 30, 2008 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ (147,882)	$ 53,064	$ 381,801	$ 286,983
Investments	73,295,222	-	77,123	73,372,345
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	292,981	-	-	292,981
Total intra-governmental	73,440,321	53,064	458,924	73,952,309
Accounts receivable, net				
State unemployment tax	183,985	-	-	183,985
Due from reimbursable employers	473,802	-	-	473,802
Benefit overpayments	220,191	10,776	-	230,967
Other	-	-	2	2
Advances	706,556	-	-	706,556
Other	-	-	366	366
Total assets	$ 75,024,855	$ 63,840	$ 459,292	$ 75,547,987
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	$ 1,176,351	$ -	$ -	$ 1,176,351
Advances from U.S. Treasury	-	10,483,557	-	10,483,557
Amounts held for the Railroad Retirement Board	110,455	-	-	110,455
Other	-	-	7,616	7,616
Total intra-governmental	1,286,806	10,483,557	7,616	11,777,979
Accounts payable	-	-	14,683	14,683
Future workers' compensation benefits	-	-	53,562	53,562
Accrued benefits	1,628,993	19,469	-	1,648,462
Other	-	-	602	602
Total liabilities	2,915,799	10,503,026	76,463	13,495,288
Net position				
Cumulative results of operations	72,109,056	(10,439,186)	382,829	62,052,699
Total liabilities and net position	$ 75,024,855	$ 63,840	$ 459,292	$ 75,547,987

NOTE 21 – EARMARKED FUNDS – Continued

The net results of operations of the earmarked funds for the year ended September 30, 2008 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Cost, net of earned revenues				
Benefits	$ (42,533,112)	$ (266,960)	$ (8,538)	$ (42,808,610)
Grants	-	-	(90,490)	(90,490)
Interest	(3,519)	(739,469)	-	(742,988)
Administrative and other	(414,822)	(376)	(21,769)	(436,967)
	(42,951,453)	(1,006,805)	(120,797)	(44,079,055)
Earned revenue	711,675	-	-	711,675
	(42,239,778)	(1,006,805)	(120,797)	(43,367,380)
Net financing sources				
Taxes	37,655,181	652,650	-	38,307,831
Interest	3,635,617	551	3,108	3,639,276
Reimbursement of unemployment benefits	1,768,182	-	-	1,768,182
Imputed financing	-	-	195	195
Transfers-in				
Department of Homeland Security	-	-	86,779	86,779
DOL entities	2,396	-	-	2,396
Transfers-out				
DOL entities	(3,714,880)	(57,881)	-	(3,772,761)
	39,346,496	595,320	90,082	40,031,898
Net results of operations	(2,893,282)	(411,485)	(30,715)	(3,335,482)
Net position, beginning of period	75,002,338	(10,027,701)	413,544	65,388,181
Net position, end of period	$ 72,109,056	$ (10,439,186)	$ 382,829	$ 62,052,699

Advances from U.S. Treasury for the Black Lung Disability Trust Fund were retired on October 7, 2008 under the refinancing agreement authorized by the enactment of the Energy Improvement and Extension Act of 2008 on October 3, 2008. (See Note 23)

NOTE 21 – EARMARKED FUNDS - Continued

The financial position of the earmarked funds as of September 30, 2007 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ 103,124	$ 40,359	$ 419,245	$ 562,728
Investments	75,804,778	-	80,061	75,884,839
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	302,912	-	-	302,912
Total intra-governmental	76,210,814	40,359	499,306	76,750,479
Accounts receivable, net				
State unemployment tax	276,072	-	-	276,072
Due from reimbursable employers	459,192	-	-	459,192
Benefit overpayments	209,807	10,056	-	219,863
Other	-	-	2	2
Advances	509,848	-	379	510,227
Other	-	-	39	39
Total assets	$ 77,665,733	$ 50,415	$ 499,726	$ 78,215,874
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	$ 1,242,806	$ -	$ -	$ 1,242,806
Advances from U.S. Treasury	-	10,057,557	-	10,057,557
Amounts held for the Railroad Retirement Board	108,990	-	-	108,990
Other	-	-	7,857	7,857
Total intra-governmental	1,351,796	10,057,557	7,857	11,417,210
Accounts payable	-	-	26,041	26,041
Future workers' compensation benefits	-	-	51,629	51,629
Accrued benefits	1,311,599	20,559	-	1,332,158
Other	-	-	655	655
Total liabilities	2,663,395	10,078,116	86,182	12,827,693
Net position				
Cumulative results of operations	75,002,338	(10,027,701)	413,544	65,388,181
Total liabilities and net position	$ 77,665,733	$ 50,415	$ 499,726	$ 78,215,874

NOTE 21 – EARMARKED FUNDS – Continued

The net results of operations of the earmarked funds for the year ended September 30, 2007 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Cost, net of earned revenues				
Benefits	$ (32,325,084)	$ (285,632)	$ (3,139)	$ (32,613,855)
Grants	-	-	(103,179)	(103,179)
Interest	(3,772)	(717,214)	-	(720,986)
Administrative and other	(446,430)	(593)	(19,615)	(466,638)
	(32,775,286)	(1,003,439)	(125,933)	(33,904,658)
Earned revenue	723,914	-	-	723,914
	(32,051,372)	(1,003,439)	(125,933)	(33,180,744)
Net financing sources				
Taxes	39,271,749	639,197	-	39,910,946
Interest	3,344,577	463	3,537	3,348,577
Reimbursement of unemployment benefits	1,632,863	-	-	1,632,863
Imputed financing	-	-	253	253
Transfers-in				
Department of Homeland Security	-	-	193,355	193,355
Transfers-out				
DOL entities	(3,604,321)	(59,179)	-	(3,663,500)
	40,644,868	580,481	197,145	41,422,494
Net results of operations	8,593,496	(422,958)	71,212	8,241,750
Net position, beginning of period	66,408,842	(9,604,743)	342,332	57,146,431
Net position, end of period	$ 75,002,338	$ (10,027,701)	$ 413,544	$ 65,388,181

See Note 23 for the effects of the debt refinancing agreement for the Black Lung Disability Trust Fund authorized by the enactment of the Energy Improvement and Extension Act of 2008 on October 3, 2008.

NOTE 22 – DEDICATED COLLECTIONS

The Department administers four trust funds that receive dedicated collections. Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds, became effective in FY 2006. This standard affected former standards dealing with dedicated collections, and as a result, the Unemployment Trust Fund and the Black Lung Disability Trust Fund were classified as earmarked funds. The financial position of the two remaining trust funds as of September 30, 2008 is shown below.

(Dollars in thousands)	Longshore and Harbor Workers' Compensation Act	District of Columbia Workmen's Compensation Act
Assets		
Intra-governmental		
Funds with U.S. Treasury	$ 735	$ 439
Investments	61,905	5,160
Interest receivable from investments	-	-
Total intra-governmental	62,640	5,599
Other accounts receivable, net	7,971	191
Total assets	$ 70,611	$ 5,790
Liabilities		
Accrued benefits	$ 4,571	$ 345
Other	38,796	2,423
Total liabilities	43,367	2,768
Net position		
Cumulative results of operations	27,244	3,022
Total liabilities and net position	$ 70,611	$ 5,790

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NOTE 22 – DEDICATED COLLECTIONS – Continued

The net results of operations of each trust fund for the year ended September 30, 2008 is shown below.

(Dollars in thousands)	Longshore and Harbor Workers' Compensation Act	District of Columbia Workmen's Compensation Act
Cost, net of earned revenues		
Benefits	$ (130,085)	$ (10,158)
Net financing sources		
Interest	1,044	127
Assessments	127,418	8,920
Transfers-out		
DOL entities	(2,022)	-
	126,440	9,047
Net results of operations	(3,645)	(1,111)
Net position, beginning of period	30,889	4,133
Net position, end of period	$ 27,244	$ 3,022

NOTE 22 – DEDICATED COLLECTIONS – Continued

The net results of operations of each trust fund for the year ended September 30, 2007 is shown below.

(Dollars in thousands)	Longshore and Harbor Workers' Compensation Act	District of Columbia Workmen's Compensation Act
Assets		
Intra-governmental		
Funds with U.S. Treasury	$ 154	$ 75
Investments	69,979	6,585
Interest receivable from investments	16	1
Total intra-governmental	70,149	6,661
Other accounts receivable, net	3,803	327
Total assets	$ 73,952	$ 6,988
Liabilities		
Accrued benefits	$ 3,655	$ 298
Other	39,408	2,557
Total liabilities	43,063	2,855
Net position		
Cumulative results of operations	30,889	4,133
Total liabilities and net position	$ 73,952	$ 6,988

The net results of operations of each trust fund for the year ended September 30, 2007 is shown below.

(Dollars in thousands)	Longshore and Harbor Workers' Compensation Act	District of Columbia Workmen's Compensation Act
Cost, net of earned revenues		
Benefits	$ (129,040)	$ (9,819)
Net financing sources		
Interest	2,077	250
Assessments	128,934	11,264
Transfers-out		
DOL entities	(2,042)	-
	128,969	11,514
Net results of operations	(71)	1,695
Net position, beginning of period	30,960	2,438
Net position, end of period	$ 30,889	$ 4,133

NOTE 23 – SUBSEQUENT EVENTS

P.L. 110-343, Division B--Energy Improvement and Extension Act of 2008, was enacted on October 3, 2008. Section 113 of the Act allowed for the temporary increase in coal excise tax rates to continue an additional five years beyond the current statutory limit and restructuring of trust fund debt by the repayment of the market value of outstanding repayable advances with the proceeds of obligations issued by the Black Lung Disability Trust Fund to the U.S. Treasury and a one-time appropriation.

Temporary Increase in Coal Excise Tax Rates. In accordance with Internal Revenue Code section 4121, the coal excise tax rates were set to decrease from $1.10 per ton for coal from underground mines and $0.55 per ton for coal from surface mines (not to exceed 4.4 percent of sales) to $0.50 per ton for coal from underground mines and $0.25 per ton for coal from surface mines (not to exceed 2 percent of sales) on January 1, 2014. P.L. 110-343 extended the temporary increase in coal excise tax rates an additional five years from January 1, 2014 to December 31, 2018. The higher excise tax rates will continue until the earlier of December 31, 2018 or the first December 31 after 2007 in which there exist no (1) balance of repayable advances described in section 9501 of the Internal Revenue Code and (2) unpaid interest on the advances. Treasury has interpreted repayable advances to mean any obligations of the Trust Fund to Treasury.

Issuance of Obligations by the Black Lung Disability Trust Fund. P.L. 110-343 gave authority to the Black Lung Disability Trust Fund to issue obligations to the Secretary of Treasury and gave authority to the Secretary of Treasury to purchase the obligations. The proceeds from issuance of these obligations were used to effect the refinancing of the Black Lung Disability Trust Fund. The proceeds from issuance of obligations subsequent to the refinancing may be used to make benefit payments, other authorized expenditures, or to repay obligations and interest from the initial refinancing.

Restructuring of Trust Fund Debt. P.L. 110-343 provided that the refinancing date occur two days after its enactment. Treasury has interpreted this to mean two business days after enactment. Effective October 7, 2008, the Black Lung Disability Trust Fund repaid the market value of the outstanding repayable Advances from U.S. Treasury plus accrued interest, by transferring to the Treasury general fund (1) obligations whose denominations, rate, and maturity were prescribed by the Secretary of the Treasury and (2) the one-time appropriation amount, which was the difference between the proceeds received from issuance of the obligations described above and the market value of the outstanding advances payable.

The effect of the refinancing was to eliminate high interest rate Advances from U.S. Treasury and replace them with zero coupon bonds bearing interest rates between 1.412% and 4.556%. Pursuant to the refinancing, the market value of the outstanding repayable Advances from U.S. Treasury plus accrued interest was $12.994 billion. The total par value of the zero coupon bonds is $11.424 billion and the total proceeds to the Black Lung Disability Trust Fund were $6.496 billion. The one-time appropriation amount was $6.498 billion. The Trust Fund recognized a loss of $2.496 billion for the difference between the market value of the outstanding advances of $12.994 billion as determined by Treasury and the carrying value of the outstanding advances and accrued interest of $10.498 billion.

Effect of Restructuring of Trust Fund Debt on the Statement of Social Insurance. This restructuring resulted in an actuarial present value of future excise tax income during the projection period of $9.293 billion as of October 7, 2008 and an actuarial present value of the par value of the zero coupon bonds coming due during the projection period of $6.326 billion as of October 7, 2008. This, with an actuarial present value of $2.967 billion for expenses, results in a fund balance of zero at the end of the projection period.

Required Supplementary Stewardship Information

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

STEWARDSHIP INVESTMENTS IN HUMAN CAPITAL

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

Employment and Training Administration and the Office of Job Corps

In 2008, ETA incurred total net costs of $51.3 billion, providing services to an estimated 26.5 million people. The majority of ETA's net costs consisted of expenditures for employment and training, unemployment insurance and benefit payments. Also included in net costs were ETA investments in human capital of $4.3 billion, serving over 4.09 million participants in 2008. These investments were made through job training programs authorized by the Workforce Investment Act of 1998 (WIA), Title V of the Older Americans Act, the Trade Act of 1974, as amended by the Trade Adjustment Assistance Reform Act of 2002, and the National Apprenticeship Act of 1937.

The Office of Job Corps (OJC), transferred from ETA to the Office of the Secretary (OSEC) in 2006, also invests in human capital through job training programs authorized by WIA. OJC's 2008 investment in human capital was $1,505.0 million. The ETA and OJC job training programs under WIA are discussed below.

Workforce Investment Act Job Training Programs

- **Adult employment and training programs** – ETA awards financial assistance grants to States and territories to design and operate training and employment assistance programs for disadvantaged adults, including public assistance recipients. ETA's 2008 investment in human capital through adult programs was $824.8 million.

- **Dislocated worker employment and training programs** – ETA awards grants to States to provide reemployment services and retraining assistance to individuals dislocated from their employment. ETA awards non-competitive grants for unexpected economic impacts and emergency dislocations; and competitive grants from the national reserve account to build training capacity and to train workers through community and technical colleges. ETA's 2008 investment in human capital through dislocated worker programs was $1,414.3 million.

- **Youth programs** – ETA awards grants to states to support program activities and services to prepare low-income youth for academic and employment success, including summer jobs, by linking academic and occupational learning with youth development activities. ETA's 2008 investment in human capital through youth programs was $962.1 million.

- **Job Corps program** – OJC awards contracts to support a system of primarily residential centers offering basic education, training, work experience and other support, typically to economically disadvantaged youth. Large and small corporations and non-profit organizations manage and operate 94 Job Corps centers under these contractual arrangements. The remaining 28 centers are operated through interagency agreements between DOL and the U.S. Departments of Agriculture and Interior. In addition, 20 operators are contracted to provide outreach and admissions (OA) and career transition services (CTS). OJC's 2008 investment in human capital through the Job Corps program was $1,505.0 million.

- **Reintegration of Ex-Offenders** – ETA supports programs to help individuals exiting prison make a successful transition to community life and long-term employment through the provision of mentoring and job training programs to promote the successful return of adult and juvenile ex-offenders into mainstream society. ETA's 2008 investment in human capital through ex-offender programs was $61.0 million.

- **National programs –** ETA's National programs provide employment and training services and support for WIA nationally administered activities for segments of the population that have special disadvantages in the labor market, including grants to Indian tribes and other Native American governments or non-profit organizations, and to Migrant and Seasonal Farmworker service organizations, to provide training, work experience and employment-related services. ETA's 2008 National Programs investment in human capital was $206.1 million.

Title V of the Older Americans Act, as Amended

ETA also invests in human capital through its older worker program, authorized under Title V of the Older Americans Act, to benefit low income workers, age 55 and over. The Older Americans Act Amendments of 2006, reauthorized and provided important reforms to Title V's Community Service Employment for Older Americans Program, including an increase in the percentage of program funds available for skills training and related services.

- **Community Service Employment for Older Americans program (CSEOA) –** An employment and training program that provides part-time training through work experience in community service activities for low-income persons age 55 and older, who wish to remain in or re-enter the workforce, with the ultimate goal of moving the participants into unsubsidized employment. ETA's 2008 investment in human capital through the CSEOA program was $497.6 million.

Trade Act of 1974 as Amended

ETA makes investments in human capital through training programs authorized by the Trade Act of 1974, as amended by the Trade Adjustment Assistance Reform Act of 2002, which consolidated the Trade Adjustment Assistance (TAA) and the NAFTA Trade Adjustment Assistance programs into a single, enhanced TAA program.

- **Trade Adjustment Assistance programs –** TAA programs provide training, income support and related assistance to workers who have been adversely affected by foreign trade agreements. TAA benefit payments are classified as income maintenance program costs and are not included as investments in human capital. ETA's 2008 investment in trade adjustment assistance training programs was $248.4 million.

The National Apprenticeship Act

The National Apprenticeship Act of 1937 established the foundation for development of the nation's skilled workforce through apprenticeship programs, which combine on-the-job learning with related technical instruction to teach workers the theoretical aspects of skilled occupations. Funding provides a national system for skilled and technical occupational training, which promotes apprentices, registers apprenticeship programs, certifies apprenticeship standards, and safeguards the welfare of apprentices. ETA's 2008 investment in apprenticeship programs was $20.5 million.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

Program Costs and Outputs

The cost of ETA and OJC investments in human capital, and the participants served by each, are shown in the chart below, for the five year period 2004 through 2008.

ETA And OJC Investments In Human Capital
Program Costs (in Millions) and Participants Served (in Thousands)
For The Five Year Period 2004 Through 2008

	2008		2007		2006		2005		2004	
Program	Costs	*Part. Served*	Costs	*Part. Served*	Costs	*Part. Served*	Costs	*Part. Served*	Costs	*Part. Served*
WIA										
Adult (1)	$824.8	*2,828.7*	$ 893.8	*1,723.2*	$ 884.6	*1,052.6*	$ 953.9	*441.8*	$ 962.5	*444.3*
Dislocated Worker (2)	1,414.3	*401.3*	1,466.3	*413.1*	1,525.1	*398.2*	1,538.3	*361.4*	1,533.1	*364.4*
Youth	962.1	*250.7*	950.7	*248.9*	1,006.2	*272.9*	1,146.5	*390.8*	1,379.9	*423.5*
Job Corps	1,505.0	*63.4*	1,485.6	*64.8*	1,364.8	*61.0*	1,367.1	*61.9*	1,357.5	*64.3*
Ex-Offenders (3)	61.0	*14.2*	76.4	*15.7*	52.1	*11.5*	23.7	*6.8*	29.4	*5.7*
National Programs (4)	206.1	*44.7*	219.7	*44.0*	267.3	*42.1*	178.2	*54.7*	297.1	*57.6*
Title V										
CSEOA	497.6	*89.6*	450.4	*86.4*	313.0	*93.5*	621.9	*92.1*	429.6	*101.4*
Trade Act										
TAA Training	248.4	*82.1*	223.1	*79.2*	188.8	*84.2*	222.8	*95.8*	249.1	*105.1*
Apprenticeship Act										
Apprenticeship System	20.5	*385.7*	21.4	*309.5*	22.4	*237.9*	21.5	*196.2*	21.4	*198.9*
Other (5)	108.2	*Na*	91.2	*Na*	99.1	*Na*	37.4	*Na*	93.7	*Na*
TOTAL	$5,848.0	*4,160.4*	$5,878.6	*2,984.8*	$5,723.4	*2,253.9*	$6,111.3	*1,701.5*	$6,353.3	*1,765.2*

(1) Adult program increases in participants served, beginning in 2006, can be attributed to the inclusion of participants who access self-services only and may be co-enrolled in more than one program.
(2) Dislocated Worker programs also include National Emergency Grant costs and participants.
(3) Ex-Offender programs include the Prisoner Re-entry and Youthful Offender programs.
(4) National Programs include the Native American and Migrant and Seasonal Farmworker programs.
(5) Other includes training programs for highly skilled occupations funded through H1-B fees, and costs for lapsed programs.

Program Outcomes

The overall performance of ETA programs towards the achievement of DOL's strategic goals is discussed in the Performance Section of this report. Outcomes for training programs comprising ETA's investment in human capital are shown below for the most current year measured.

<u>Strategic Goal 1 – A Prepared Workforce</u>

- **Performance Goal 07.1B (Job Corps) – PY 2007**
  Improve educational achievements of Job Corps students and increase participation of Job Corps graduates in employment and education.

  This goal was not achieved. Job Corps did not reach targets in three performance indicators.

- **Performance Goal 07.1C (WIA Youth) – PY 2007**
  Increase placements and educational attainments for youth served through the WIA youth program.

  This goal was achieve; ETA reached targets for two performance indicators and met benchmarks for the third.

- **Performance Goal 08.1D (Apprenticeship) – FY 2008**
  Improve the apprenticeship system to meet the training needs of business and workers in the 21st century.

  This goal was not achieved. ETA failed to reach the target for one of two performance indicators.

<u>Strategic Goal 2 – A Competitive Workforce</u>

- **Performance Goal 07.2A (WIA Adult) – PY 2007**
  Increase the employment, retention and earnings of individuals under the WIA Adult program.

  This goal was not achieved. ETA failed to reach the target for one of three performance indicators.

- **Performance Goal 07.2B (WIA Dislocated Workers) – PY 2007**
  Increase the employment, retention and earnings of individuals under the WIA Dislocated Worker program.

  This goal was not achieved. ETA failed to reach the target for two of three performance indicators.

- **Performance Goal 07.2F (CSEOA) – PY 2007**
  Assist older workers participate in a demand economy through Senior Community Service Employment.

  This goal was substantially achieved. ETA reached targets for two performance indicators and improved performance in the third indicator.

- **Performance Goal 08.2G (TAA) – FY 2008**
  Increase the employment, retention and earnings replacement of workers dislocated in important part because of trade and who receive trade adjustment assistance benefits.

  This goal was not achieved. ETA failed to reach targets for two of three performance indicators.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

Veterans Employment and Training Service

The mission of the Veterans Employment and Training Service (VETS) is to provide veterans and transitioning service members with the resources and services to succeed in the 21st century workforce, by maximizing their employment opportunities, protecting their employment rights, and meeting labor market demands with qualified veterans.

Program Activities

Jobs for Veterans State Grants

The Jobs for Veterans Act (JVA) of 2002, which allocates resources to the States through the Jobs for Veterans State grants program, supports the majority of VETS activities through three major VETS programs, as discussed below:

- **Disabled Veterans Outreach Program (DVOP) Specialist –** The DVOP, codified at 38 U.S.C. 4103A, awards formula grants to State Workforce Agencies (SWAs) to support DVOP specialists providing intensive services to meet the employment needs of veterans, including counseling, assessment, lifelong learning skills and referral to training, particularly veterans with disabilities or those who recently separated from the military.

- **Local Veterans Employment Representative (LVER) –** The LVER, codified at 38 U.S.C. 4104, provides grants to State Workforce Agencies (SWAs) for the appointment of LVER staff positions identified in Job Service local offices and One-Stop Career Centers, to enhance veterans' services and help them into productive employment.

- **Transition Assistance Program (TAP) –** TAP, authorized under 38 U.S.C. 4215 and 10 U.S.C. 1144, operates as a partnership between the Departments of Labor, Defense and Veterans Affairs. The program provides separating service members and their spouses or individuals retiring from military service with career counseling and training. TAP workshops are provided throughout the United States and overseas.

Federal Management

VETS Federal management activities provide programs and policies to meet the employment and training needs of veterans. The majority of resources are devoted to Uniformed Services Employment and Reemployment Rights and Veterans Preference Rights (USERRA**)** compliance and outreach. Activities, as discussed below:

- **Uniformed Services Employment and Reemployment Rights and Veterans Preference Rights** – The Uniformed Services Employment and Reemployment Rights Act (USERRA) of 1994, codified at 38 U.S.C. Chapter 43, protects civilian job rights and benefits for veterans, members of the National Guard and Reserves. Veterans Preference for Federal Employment is codified in 5 U.S.C. 2108. VETS promotes a productive relationship between employer and employee by educating both on the employment rights of the individual veterans.

Homeless Veterans and Veterans' Workforce Investment Programs

- **Homeless Veterans Reintegration Project (HVRP)** – The HVRP, codified at 38 U.S.C. 2021, provides employment assistance to homeless veterans through grants to States or other entities in both urban and rural areas to operate employment programs to reach out to homeless veterans and help them become employed.

- **Veterans Workforce Investment Program (VWIP) -** The VWIP, {38 U.S.C. 2913}, provides competitive grants for training and retraining of veterans to create high skilled employment opportunities for targeted veterans.

Program Costs and Outputs

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

VETS Investments In Human Capital
Program Costs and Participants Served (in Thousands)
For The Five Year Period 2004 Through 2008

		2008		2007		2006		2005		2004	
Program		**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***
DVOP		**$86,844**	***373.5***	**$86,667**	***363.4***	**$86,153**	***398.1***	**$86,104**	***342.8***	**$85,151**	***507.2***
LVER		**80,028**	***468.6***	**80,000**	***400.6***	**79,526**	***429.3***	**79,481**	***330.0***	**78,601**	***529.9***
TAP		**6,898**	***150.0***	**7,704**	***151.3***	**4,792**	***139.5***	**4,919**	***134.3***	**4,684**	***130.0***
USERRA		**9,100**	***93.0***	**9,170**	***70.8***	**8,819**	***109.9***	**9,123**	***126.9***	**9,506**	***80.5***
HVRP		**27,620**	***14.0***	**27,504**	***12.8***	**26,975**	***13.8***	**24,883**	***13.8***	**21,821**	***12.5***
VWIP		**7,651**	***3.3***	**7,667**	***3.6***	**9,123**	***3.8***	**7,966**	***4.3***	**9,444**	***3.5***
TOTAL		**$218,141**	***1,102.4***	**$218,712**	***1,002.5***	**$215,388**	***1,094.4***	**$212,476**	***952.1***	**$209,207**	***1,263.6***

Program Outcomes

The performance of VETS programs towards the achievement of DOL's strategic goals is discussed in the Performance Section of this report. Outcomes for 2008 are summarized below:

<u>**Strategic Goal 1 – A Prepared Workforce**</u>

- **Performance Goal 07.1C (VETS) – PY 2007**
  Improve employment outcomes for veterans receiving One-Stop Career Center and veteran's program services.

  This goal was achieved. VETS met targets for all four performance indicators.

<u>**Strategic Goal 3 – Safe and Secure Workplaces**</u>

- **Performance Goal 08.3C (VETS) – FY 2008**
  Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment.

  This goal was not achieved. VETS fell short of their target for the performance indicator.

Required Supplementary Information

DEFERRED MAINTENANCE

The U.S. Department of Labor (DOL) maintains one hundred twenty-two (122) Job Corps centers located throughout the United States. Periodic maintenance is performed to keep these centers in acceptable condition, as determined by Job Corps management. Maintenance requirements are stratified by management into critical and non-critical projects. Critical maintenance involves life, safety, health, and environmental issues, as well as building code compliance deficiencies. Critical maintenance projects are funded and performed in the year they are identified. Non-critical maintenance projects are performed each year to the extent that funding constraints allow. Non-critical maintenance projects that cannot be funded when scheduled are deferred to a future period.

Condition Assessment Surveys

Condition assessment surveys are conducted every three years at each Job Corps center to determine the current condition of buildings and structures (constructed assets) and the estimated maintenance cost to correct deficiencies. Surveys conducted during years one and two of this three year cycle are updated annually to reflect maintenance performed, and rolled up with current assessments to provide a condition assessment for the entire Job Corps portfolio of constructed assets. Condition assessment surveys are based on methods and standards consistently applied, including:

- condition descriptions of facilities
- estimated costs of maintenance actions
- recommended maintenance schedules
- standardized condition codes

Asset Condition

Condition assessment surveys are used to estimate the current plant replacement value and deferred maintenance repair backlog for every constructed asset at each Job Corps center. Plant replacement value and repair backlog are used to calculate a Facilities Condition Index (FCI) for each building and structure. The chart below ranks each asset within one of five categories of asset condition, based on the assets FCI score, for the previous five year period.

Job Corps Center Constructed Assets
Ranking of Individual Asset Condition By FCI Scores(1)
For the Years Ended 2004 – 2008

		2008		**2007***		**2006***		**2005***		**2004***	
Asset Condition	***FCI Score***	No. of Assets	Asset %	No. of Assets	Asset %	No. of Assets	Asset %	No. of Assets	Asset %	No. of Assets	Asset %
Excellent	*90- 100%*	2,878	81.9	2,966	80.9	2,665	75.1	2,507	74.8	2,244	72.1
Good	*80- 89%*	311	8.9	338	9.2	433	12.2	412	12.3	286	9.2
Fair	*70- 79%*	115	3.3	126	3.4	145	4.1	151	4.5	274	8.8
Poor	*60- 69%*	89	2.5	98	2.7	135	3.8	120	3.6	146	4.7
Very Poor	*< 60%*	118	3.4	136	3.8	170	4.8	161	4.8	162	5.2
		3,511	100.0	3,664	100.0	3,548	100.0	3,351	100.0	3,112	100.0

(1) FCI = 1 – (Repair Backlog / Plant Replacement Value). An FCI closer to 100 % indicates better asset condition.
* Distribution of FCI for 2004 – 2007 was estimated, based on the trend in asset condition established in 2008, when modifications to the calculation were newly implemented.

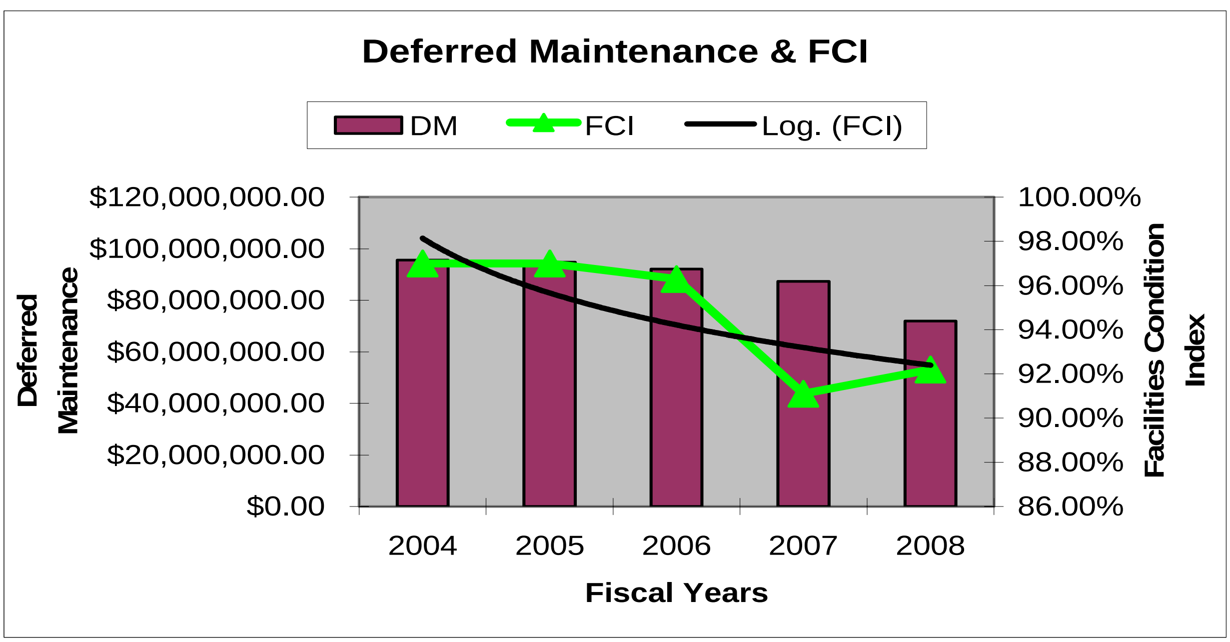
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Portfolio Condition and Deferred Maintenance Cost Estimates

The FCI assessments by building and structure are consolidated to calculate an FCI score for the entire portfolio of constructed assets, which is used to evaluate the overall asset condition of the Job Corps portfolio. Job Corps has set the goal of achieving and maintaining an FCI of 90% or greater (the standard used by the National Association of College and University Business Offices) for its portfolio of constructed assets. In 2008, the portfolio's aggregate FCI score for 3,511 constructed assets was 92.2%, and deferred maintenance costs to return the portfolio to an acceptable condition were estimated at $71.9 million, as shown in the table below. The final graph juxtaposes deferred maintenance cost estimates with the FCI trend line for the five year period ending in 2008.

Job Corps Center Constructed Assets
Portfolio Condition and Deferred Maintenance Cost Estimates at
September 30, 2004 - 2008

Constructed Assets - FY	Number of Constructed Assets	Portfolio Condition Based on Aggregate FCI Score	Deferred Maintenance Costs to Return Assets To Acceptable Condition
Buildings and structures - 2008	3,511	Excellent - 92.2%	$71,901,425
Buildings and structures - 2007	3,664	Excellent - 90.8%	$87,372,700
Buildings and structures - 2006	3,548	Excellent - 96.3%	$92,100,000
Buildings and structures - 2005	3,351	Excellent - 97.0%	$94,800,000
Buildings and structures - 2004	3,112	Excellent - 97.0%	$95,500,000



SOCIAL INSURANCE PROGRAMS

The Federal Accounting Standards Advisory Board (FASAB) has classified certain government income transfer programs as social insurance programs. Recognizing that these programs have complex characteristics that do not fit traditional accounting models, the FASAB has developed accounting standards for social insurance programs which require the presentation of supplementary information to facilitate the assessment of the program's long - term sustainability.

The U.S. Department of Labor operates two programs classified under Federal accounting standards as social insurance programs, the Unemployment Insurance Program and the Black Lung Disability Benefits Program. Presented below is the supplementary information for the two programs.

Unemployment Insurance Program

The Unemployment Insurance (UI) Program was created in 1935 to provide income assistance to unemployed workers who lose their jobs through no fault of their own. The program protects workers during temporary periods of unemployment through the provision of unemployment compensation benefits. These benefits replace part of the unemployed worker's lost wages and, in so doing, stabilize the economy during recessionary periods by increasing the unemployed's purchasing power. The UI program operates counter cyclically, with benefits exceeding tax collections during recessionary periods and UI tax revenues exceeding benefit payments during periods of recovery.

Program Administration and Funding

The UI program is administered through a unique system of Federal-State partnerships, established in Federal law but executed through conforming State laws by State officials. The Federal government provides broad policy guidance and program direction through the oversight of the U.S. Department of Labor, while program details are established through individual State UI statutes, administered through State UI agencies.

Federal and State Unemployment Taxes

The UI program is financed through the collection of Federal and State unemployment taxes levied on subject employers and deposited in the Unemployment Trust Fund (UTF). The UTF was established to account for the receipt, investment and disbursement of unemployment taxes. Federal unemployment taxes are used to pay for the administrative costs of the UI program, including grants to each State to cover the costs of State UI operations and the Federal share of extended UI benefits. Federal unemployment taxes are also used to maintain a loan account within the UTF, from which insolvent States may borrow funds to pay UI benefits. State UI taxes are used exclusively for the payment of regular UI benefits, as well as the State's share of extended benefits.

Federal Unemployment Taxes

Under the provisions of the Federal Unemployment Tax Act (FUTA), a Federal tax is levied on covered employers, at a current rate of 6.2% of the first $7,000 in annual wages paid to each employee. This Federal tax rate is reduced by a credit of up to 5.4%, granted to employers paying State UI taxes under conforming State UI statutes. Accordingly, in conforming States, employers pay an effective Federal tax of 0.8% (0.6% starting January 1, 2009). Federal unemployment taxes are collected by the Internal Revenue Service.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

State Unemployment Taxes

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

Unemployment Trust Fund

Federal and State UI taxes are deposited into designated accounts within the Unemployment Trust Fund. The UTF was established under the authority of Title IX, Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, loan and disburse Federal and State UI taxes. The U.S. Department of the Treasury acts as custodian over monies deposited into the UTF, investing amounts in excess of disbursing requirements in Treasury securities. The UTF is comprised of the following accounts:

Federal Accounts

The Employment Security Administration Account (ESAA) was established pursuant to Section 901 of the Act. All tax receipts collected under the Federal Unemployment Tax Act (FUTA) are appropriated to the ESAA and used to pay the costs of Federal and State administration of the unemployment insurance program and veterans' employment services, as well as 97 percent of the costs of the State employment services. Excess balances in ESAA, as defined under the Act, are transferred to other Federal accounts within the Fund, as described below.

The Federal Unemployment Account (FUA) was established pursuant to Section 904 of the Act. FUA is funded by any excesses from the ESAA as determined in accordance with Section 902 of the Act. Title XII, Section 1201 of the Act authorizes the FUA to loan Federal monies to State accounts that are unable to make benefit payments because the State UI account balance has been exhausted. Title XII loans must be repaid with interest. The FUA may borrow from the ESAA or EUCA, without interest, or may also receive repayable advances, with interest, from the general fund of the U.S. Treasury, when the FUA has a balance insufficient to make advances to the States.

The Extended Unemployment Compensation Account (EUCA) was established pursuant to Section 905 of the Act. EUCA provides for the payment of extended unemployment benefits authorized under the Federal-State Extended Unemployment Compensation Act of 1970, as amended. Under the extended benefits program, extended unemployment benefits are paid to individuals who have exhausted their regular unemployment benefits. These extended benefits are financed one-half by State unemployment taxes and one-half by FUTA taxes from the EUCA. The EUCA is funded by a percentage of the FUTA tax transferred from the ESAA in accordance with Section 905(b)(1) and (2) of the Act. The EUCA may borrow from the ESAA or the FUA, without interest, or may also receive repayable advances from the general fund of the Treasury when the EUCA has a balance insufficient to pay the Federal share of extended benefits. During periods of sustained high unemployment, the EUCA may also receive payments and non-repayable advances from the general fund of the Treasury to finance emergency unemployment compensation benefits. Emergency unemployment benefits require Congressional authorization.

The Federal Employees Compensation Account (FEC) was established pursuant to Section 909 of the Act. The FEC account provides funds to States for unemployment compensation benefits paid to eligible former Federal civilian personnel and ex-service members. Generally, benefits paid are reimbursed to the Federal Employees Compensation Account by the various Federal agencies. Any additional resources necessary to assure that the account can make the required payments to States, due to the timing of the benefit payments and subsequent reimbursements, will be provided by non-repayable advances from the general fund of the Treasury.

State Accounts

Separate State Accounts were established for each State and territory depositing monies into the Fund, in accordance with Section 904 of the Act. State unemployment taxes are deposited into these individual accounts and may be used only to pay State unemployment benefits. States may receive repayable advances from the FUA when their balances in the Fund are insufficient to pay benefits.

Railroad Retirement Accounts

The Railroad UI Account and Railroad UI Administrative Account were established under Section 904 of the Act to provide for a separate unemployment insurance program for railroad employees. This separate unemployment insurance program is administered by the Railroad Retirement Board, an agency independent of DOL. DOL is not responsible for the administrative oversight or solvency of the railroad unemployment insurance system. Receipts from taxes on railroad payrolls are deposited in the Railroad UI Account and the Railroad UI Administrative Account to meet benefit payment and related administrative expenses.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

UI Program Benefits

The UI program provides regular and extended benefit payments to eligible unemployed workers. Regular UI program benefits are established under State law, payable for a period not to exceed a maximum duration. In 1970, Federal law began to require States to extend this maximum period of benefit duration by fifty percent during periods of high unemployment. These extended benefit payments are paid equally from Federal and State accounts.

Regular UI Benefits

There are no Federal standards regarding eligibility, amount or duration of regular UI benefits. Eligibility requirements, as well as benefit amounts and benefit duration are determined under State law. Under State laws, worker eligibility for benefits depends on experience in covered employment during a past base period, which attempts to measure the workers' recent attachment to the labor force. Three factors are common to State eligibility requirements: (1) a minimum duration of recent employment and earnings during a base period prior to unemployment, (2) unemployment not the fault of the unemployed, and (3) availability of the unemployed for work.

Benefit payment amounts under all State laws vary with the worker's base period wage history. Generally, States compute the amount of weekly UI benefits as a percentage of an individual's average weekly base period earnings, within certain minimum and maximum limits. Most States set the duration of UI benefits by the amount of earnings an individual has received during the base period. Currently, almost all States have established the maximum duration for regular UI benefits at 26 weeks. Regular UI benefits are paid by the State UI agencies from monies drawn down from the State's account within the Unemployment Trust Fund.

Extended UI Benefits

The Federal/State Extended Unemployment Compensation Act of 1970 provides for the extension of the duration of UI benefits during periods of high unemployment. When the insured unemployment level within a State, or in some cases total unemployment, reaches certain specified levels, the State must extend benefit duration by fifty percent, up to a combined maximum of 39 weeks. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account within the UTF, and fifty percent by the State, from the State's UTF account.

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. Before this fiscal year, emergency benefits were last authorized in 2002 under the Temporary Extended Unemployment Compensation Act. Payments in excess of $23 billion were paid under the program which ended in January 2005. Prior to that, emergency benefits were authorized in 1991 under the Emergency Unemployment Compensation Act. Emergency benefit payments in excess of $28 billion were paid over the three year period ended in 1994.

Federal UI Benefits

Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency and are not considered to be social insurance benefits. Federal unemployment compensation benefits are not included in this discussion of social insurance programs.

Program Finances and Sustainability

At September 30, 2008, total assets within the UTF exceeded liabilities by $72.1 billion. This fund balance approximates the accumulated surplus of tax revenues and earnings on these revenues over benefit payment expenses and is available to finance benefit payments in future periods when tax revenues may be insufficient. Treasury invests this accumulated surplus in Federal securities. The net value of these securities, including interest receivable, at September 30, 2008 was $73.3 billion. This interest is distributed to eligible State and Federal accounts within the UTF. Interest income from these investments during FY 2008 was $3.6 billion. Federal and State UI tax and reimbursable revenues of $39.4 billion and regular, extended and emergency benefit payment expense of $42.5 billion were recognized for the year ended September 30, 2008.

As discussed in Note 1.L.1 to the consolidated financial statements, DOL recognized a liability for regular, extended and emergency unemployment benefits to the extent of unpaid benefits applicable to the current period and for benefits paid by States that have not been reimbursed by the UTF. Accrued unemployment benefits payable at September 30, 2008 were $1.2 billion.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Effect of Projected Cash Inflows and Outflows on the Accumulated Net Assets of the UTF

The ability of the UI program to meet a participant's future benefit payment needs depends on the availability of accumulated taxes and earnings within the UTF. The Department measures the effect of projected benefit payments on the accumulated net assets of the UTF, under an open group scenario, which includes current and future participants in the UI program. Future estimated cash inflows and outflows of the UTF are tracked by the Department for budgetary purposes. These projections allow the Department to monitor the sensitivity of the UI program to differing economic conditions, and to predict the program's sustainability under varying economic assumptions. The significant assumptions used in the projections include total unemployment rates, civilian labor force levels, percent of unemployed receiving benefits, total wages, distribution of benefit payments by state, state tax rate structures, state taxable wage bases and interest rates on UTF investments.

Presented on the following pages is the effect of projected economic conditions on the net assets of the UTF, excluding the Federal Employees Compensation Account.

Expected Economic Conditions

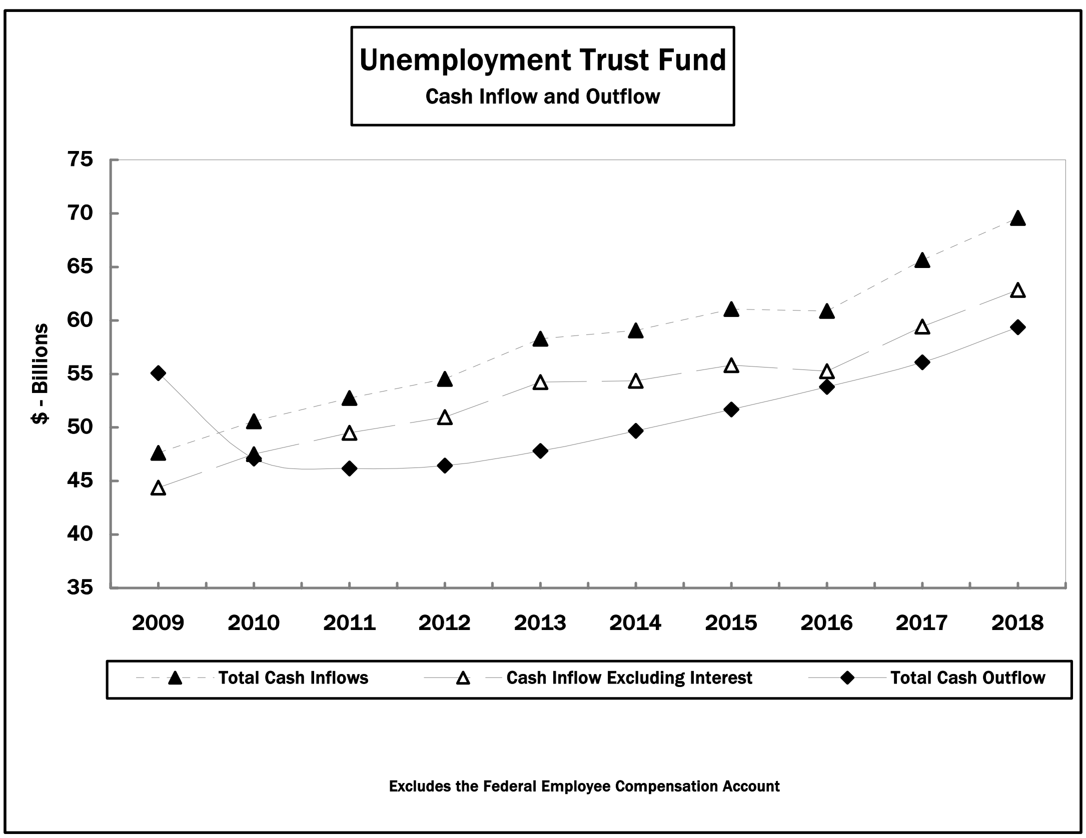
Charts I and II graphically depict the effect of expected economic conditions on the UTF over the next ten years.

Projected Cash Inflows and Outflows Under Expected Economic Conditions

Chart I depicts projected cash inflows and outflows of the UTF over the next ten years under expected economic conditions. Both cash inflows and cash inflows excluding interest earnings are displayed. Current estimates by the Department are based on an expected unemployment rate of 5.58% during FY 2009, decreasing to 4.80% in FY 2013 and thereafter. Total cash inflows exceed total cash outflows for all years projected after FY 2009. The net inflow increases from $3.5 billion in FY 2010 to $10.5 billion in FY 2013, leveling off at the $7.1 billion to $10.2 billion range after that, indicating that most States have replenished their funds to desired levels. The net inflow is sustained by the excess of Federal tax collections over Federal expenditures.

These projections, excluding interest earnings, indicate increasing net cash inflows from FY 2010 to FY 2013, then net cash inflows at varied levels through 2018.

Chart I



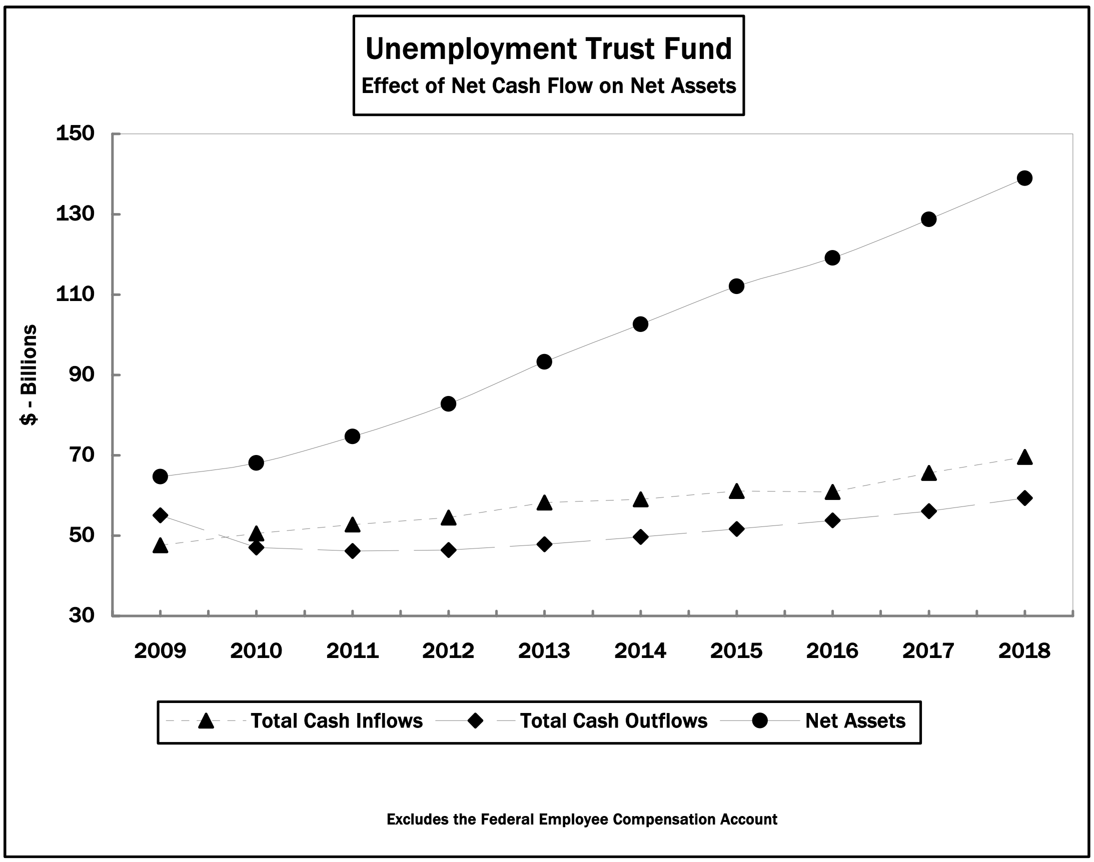
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Effect of Expected Cash Flows on UTF Assets

Chart II demonstrates the effect of these expected cash inflows and outflows on the net assets of the UTF over the ten year period ended September 30, 2018. Yearly projected total cash inflows, including interest earnings, and cash outflows are depicted, as well as the net effect of this cash flow on UTF assets.

Total cash inflows exceed cash outflows for all years projected after FY 2009, with this excess peaking in FY 2013. Starting at $64.7 billion in FY 2009, net UTF assets increase by 114.7% over the next nine years to $138.9 billion by the end of FY 2018.

Chart II



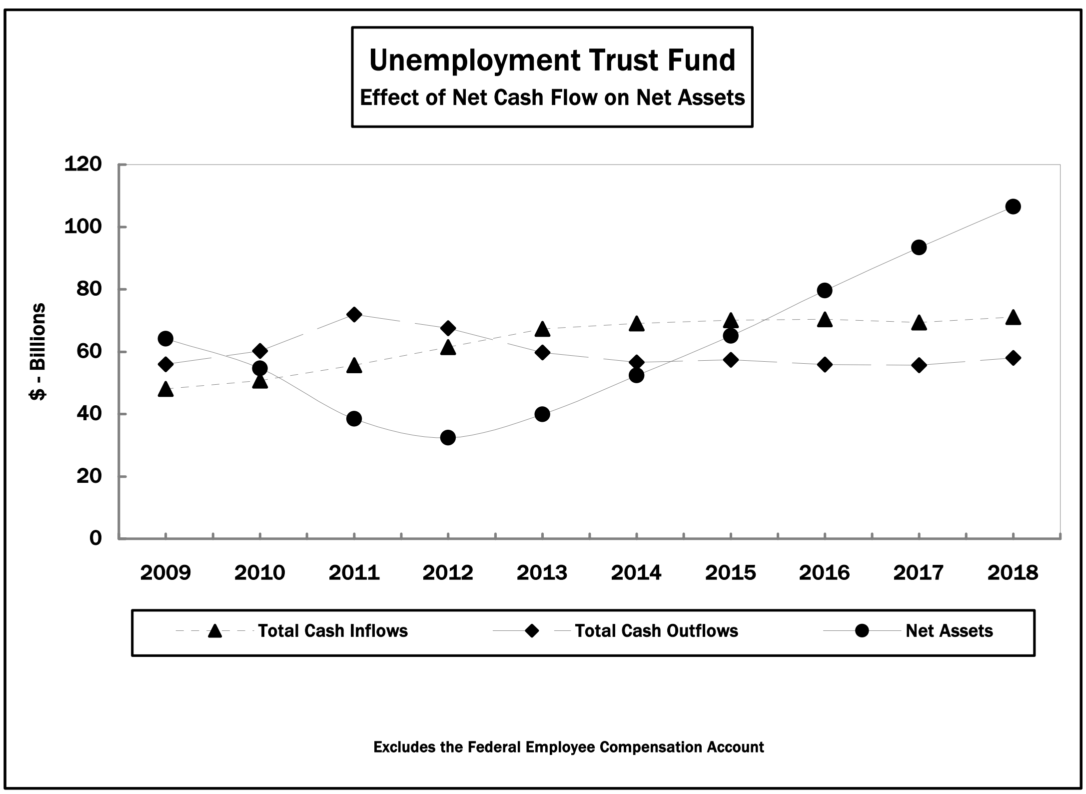
Recessionary Scenarios

Charts III and IV demonstrate the effect on accumulated UTF assets of projected total cash inflows and cash outflows of the UTF over the ten year period ending September 30, 2018, under mild and severe recession scenarios. Each scenario uses an open group, which includes current and future participants in the UI program. Charts III and IV assume increased rates of unemployment during mild and deep periods of recession.

Effect on UTF Assets of Mild Recession

The Department projects the effect of moderate recession on the cash inflows and outflows of the UTF. Under this scenario, which utilizes an unemployment rate peaking at 7.43% in FY 2011, net cash outflows including projected interest earnings and expenses from Federal sources are projected in FY 2009 through FY 2012. Net cash inflows are reestablished in FY 2013 and peak in FY 2016 with a drop in the unemployment rate to 5.11%. Net assets never fall below $32.4 billion and are within $32.4 billion of the balance under expected economic conditions by 2018. The crossover pattern remains the same when interest earnings are excluded.

Chart III



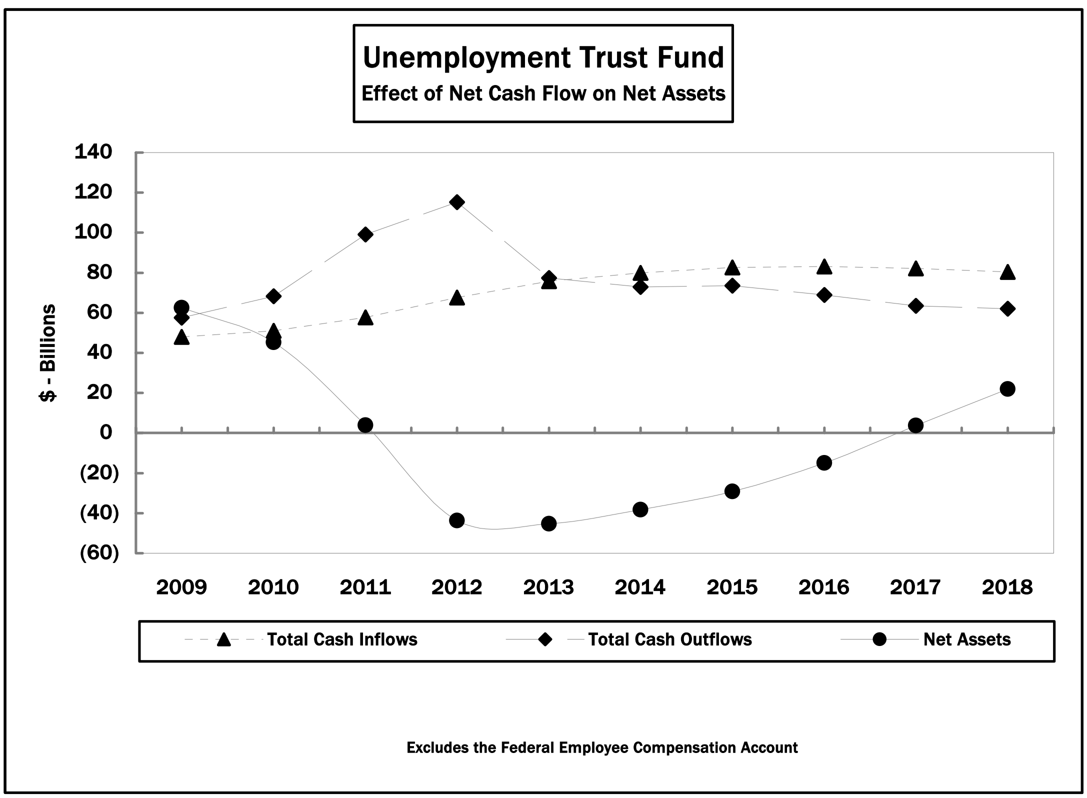
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Effect on UTF Assets of Deep Recession

The Department also estimates the effect of severe recession on the cash inflows and outflows of the UTF. This scenario assumes a rising unemployment rate peaking at 10.14% in FY 2012. Under this scenario, net cash outflows including projected interest earnings and expenses from Federal sources are projected in FY 2009 through FY 2013, with the fund in a deficit situation from 2012 to 2016. The net assets of the UTF decrease from $62.6 billion in FY 2009 to negative $45.2 billion in 2013, a decline of $107.8 billion. State accounts without sufficient reserve balances to absorb negative cash flows would be forced to borrow funds from the FUA to meet benefit payment requirements. State borrowing demands could also deplete the FUA, which borrows from the ESAA and the EUCA until they are depleted. The FUA would then require advances from the general fund of the U.S. Treasury to provide for State borrowings. (See following discussion of State solvency measures.)

Net cash inflows are reestablished in FY 2014, with a drop in the unemployment rate to 7.26%. By the end of FY 2018, this positive cash flow has replenished UTF account balances to $22.0 billion. This example demonstrates the counter cyclical nature of the UI program, which experiences net cash outflows during periods of recession to be replenished through net cash inflows during periods of recovery. However, at the end of the projection period, net assets are $117.0 billion less than under expected economic conditions.

Chart IV



U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2018

(1) EXPECTED ECONOMIC CONDITIONS

(Dollars in thousands)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Balance, start of year	$ 72,100,304	$ 64,661,399	$ 68,131,002	$ 74,717,426	$ 82,808,250	$ 93,269,206	$ 102,651,295	$ 112,059,861	$ 119,141,289	$ 128,708,473
Cash inflow										
State unemployment taxes	38,072,000	41,417,000	43,096,000	44,132,000	46,577,000	46,653,000	47,430,000	47,778,000	49,586,000	52,374,000
Federal unemployment taxes	6,172,000	5,878,000	6,146,000	6,576,000	7,447,000	7,503,000	8,205,000	7,237,000	9,586,000	10,257,000
Interest on loans	45,000	103,000	138,000	146,000	107,000	80,000	59,000	101,000	135,000	92,000
Deposits by the Railroad Retirement Board	95,800	108,600	123,600	125,000	119,800	120,800	124,200	127,800	130,000	126,500
Total cash inflow excluding interest	44,384,800	47,506,600	49,503,600	50,979,000	54,250,800	54,356,800	55,818,200	55,243,800	59,437,000	62,849,500
Interest on Federal securities	3,239,026	3,059,153	3,258,347	3,559,654	4,029,380	4,704,935	5,256,206	5,636,059	6,216,956	6,729,081
Total cash inflow	47,623,826	50,565,753	52,761,947	54,538,654	58,280,180	59,061,735	61,074,406	60,879,859	65,653,956	69,578,581
Cash outflow										
State unemployment benefits	51,028,000	43,930,000	43,042,000	43,317,000	44,697,000	46,570,000	48,568,000	50,714,000	53,005,000	56,275,000
State administrative costs	3,721,505	2,847,000	2,807,000	2,799,000	2,786,000	2,769,000	2,753,000	2,735,000	2,726,000	2,714,000
Federal administrative costs	203,453	202,847	205,365	207,938	210,568	212,256	214,003	216,811	219,681	222,614
Interest on tax refunds	3,188	2,973	3,082	3,270	3,743	3,932	4,388	3,925	5,250	5,651
Railroad Retirement Board withdrawals	106,585	113,330	118,076	120,622	121,913	124,458	126,449	128,695	130,841	132,832
Total cash outflow	55,062,731	47,096,150	46,175,523	46,447,830	47,819,224	49,679,646	51,665,840	53,798,431	56,086,772	59,350,097
Excess of total cash inflow excluding interest over total cash outflow	(10,677,931)	410,450	3,328,077	4,531,170	6,431,576	4,677,154	4,152,360	1,445,369	3,350,228	3,499,403
Excess of total cash inflow over total cash outflow	(7,438,905)	3,469,603	6,586,424	8,090,824	10,460,956	9,382,089	9,408,566	7,081,428	9,567,184	10,228,484
Balance, end of year	$ 64,661,399	$ 68,131,002	$ 74,717,426	$ 82,808,250	$ 93,269,206	$ 102,651,295	$ 112,059,861	$ 119,141,289	$ 128,708,473	$ 138,936,957
Total unemployment rate	5.58%	5.35%	5.03%	4.85%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2018

(2) MILD RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Balance, start of year	$ 72,100,304	$ 64,174,037	$ 54,659,117	$ 38,450,008	$ 32,406,538	$ 39,908,254	$ 52,395,150	$ 65,089,586	$ 79,595,289	$ 93,354,396
Cash inflow										
State unemployment taxes	38,098,000	41,900,000	46,799,000	51,051,000	54,622,000	54,928,000	54,763,000	54,758,000	53,437,000	54,095,000
Federal unemployment taxes	6,159,000	5,796,000	5,978,000	7,173,000	9,124,000	10,380,000	11,210,000	11,107,000	10,743,000	11,285,000
General revenue appropriation	414,000	51,000	109,000	57,000	1,000	-	-	-	-	-
Interest on loans	44,000	169,000	636,000	1,192,000	1,343,000	1,181,000	1,052,000	917,000	768,000	618,000
Deposits by the Railroad Retirement Board	95,800	108,600	123,600	125,000	119,800	120,800	124,200	127,800	130,000	126,500
Total cash inflow excluding interest	44,810,800	48,024,600	53,645,600	59,598,000	65,209,800	66,609,800	67,149,200	66,909,800	65,078,000	66,124,500
Interest on Federal securities	3,234,152	2,710,589	2,033,730	1,928,307	2,086,383	2,476,850	2,900,983	3,441,133	4,296,213	5,006,600
Total cash inflow	48,044,952	50,735,189	55,679,330	61,526,307	67,296,183	69,086,650	70,050,183	70,350,933	69,374,213	71,131,100
Cash outflow										
State unemployment benefits	51,924,000	56,898,000	68,416,000	64,126,000	56,445,000	53,348,000	54,147,000	52,702,000	52,517,000	54,912,000
State administrative costs	3,734,000	3,033,000	3,146,000	3,111,650	3,012,400	2,909,600	2,862,300	2,791,700	2,741,700	2,722,300
Federal administrative costs	203,453	202,847	205,365	207,938	210,568	212,256	214,003	216,811	219,681	222,614
Interest on tax refunds	3,181	2,932	2,998	3,567	4,586	5,440	5,995	6,024	5,884	6,217
Railroad Retirement Board withdrawals	106,585	113,330	118,076	120,622	121,913	124,458	126,449	128,695	130,841	132,832
Total cash outflow	55,971,219	60,250,109	71,888,439	67,569,777	59,794,467	56,599,754	57,355,747	55,845,230	55,615,106	57,995,963
Excess of total cash inflow excluding interest over total cash outflow	(11,160,419)	(12,225,509)	(18,242,839)	(7,971,777)	5,415,333	10,010,046	9,793,453	11,064,570	9,462,894	8,128,537
Excess of total cash inflow over total cash outflow	(7,926,267)	(9,514,920)	(16,209,109)	(6,043,470)	7,501,716	12,486,896	12,694,436	14,505,703	13,759,107	13,135,137
Balance, end of year	$ 64,174,037	$ 54,659,117	$ 38,450,008	$ 32,406,538	$ 39,908,254	$ 52,395,150	$ 65,089,586	$ 79,595,289	$ 93,354,396	$ 106,489,533
Total unemployment rate	5.71%	6.62%	7.43%	7.09%	6.35%	5.61%	5.47%	5.11%	4.80%	4.80%

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2018

(3) DEEP RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Balance, start of year	$ 72,100,304	$ 62,558,151	$ 45,279,776	$ 3,870,099	$ (43,717,343)	$ (45,231,242)	$ (38,241,644)	$ (29,140,004)	$ (14,904,722)	$ 3,720,184
Cash inflow										
State unemployment taxes	38,120,000	42,420,000	48,765,000	56,504,000	62,206,000	63,818,000	63,952,000	63,098,000	61,256,000	59,574,000
Federal unemployment taxes	6,145,000	5,751,000	5,849,000	6,941,000	8,938,000	11,391,000	13,742,000	14,989,000	15,779,000	15,681,000
General revenue appropriation	427,000	89,000	148,000	174,000	44,000	4,000	4,000	-	-	-
Interest on loans	45,000	247,000	1,187,000	2,868,000	3,744,000	3,783,000	3,728,000	3,574,000	3,171,000	2,743,000
Deposits by the Railroad Retirement Board	95,800	108,600	123,600	125,000	119,800	120,800	124,200	127,800	130,000	126,500
Total cash inflow excluding interest	44,832,800	48,615,600	56,072,600	66,612,000	75,051,800	79,116,800	81,550,200	81,788,800	80,336,000	78,124,500
Interest on Federal securities	3,214,259	2,429,111	1,628,097	1,024,369	784,924	829,732	1,050,141	1,312,417	1,760,420	2,214,216
Total cash inflow	48,047,059	51,044,711	57,700,697	67,636,369	75,836,724	79,946,532	82,600,341	83,101,217	82,096,420	80,338,716
Cash outflow										
State unemployment benefits	53,522,000	64,864,000	94,933,000	109,606,000	70,933,000	66,671,000	67,554,000	63,424,000	58,741,000	58,231,000
State administrative costs	3,754,000	3,140,000	3,551,000	3,685,800	3,280,650	3,143,250	3,096,900	2,988,300	2,871,350	2,803,900
Federal administrative costs	203,453	202,847	205,365	207,938	210,568	212,256	214,003	216,811	219,681	222,614
Interest on tax refunds	3,174	2,909	2,933	3,451	4,492	5,970	7,349	8,129	8,642	8,639
Interest on General Fund advances	-	-	300,000	1,600,000	2,800,000	2,800,000	2,500,000	2,100,000	1,500,000	700,000
Railroad Retirement Board withdrawals	106,585	113,330	118,076	120,622	121,913	124,458	126,449	128,695	130,841	132,832
Total cash outflow	57,589,212	68,323,086	99,110,374	115,223,811	77,350,623	72,956,934	73,498,701	68,865,935	63,471,514	62,098,985
Excess of total cash inflow excluding interest over total cash outflow	(12,756,412)	(19,707,486)	(43,037,774)	(48,611,811)	(2,298,823)	6,159,866	8,051,499	12,922,865	16,864,486	16,025,515
Excess of total cash inflow over total cash outflow	(9,542,153)	(17,278,375)	(41,409,677)	(47,587,442)	(1,513,899)	6,989,598	9,101,640	14,235,282	18,624,906	18,239,731
Balance, end of year	$ 62,558,151	$ 45,279,776	$ 3,870,099	$ (43,717,343)	$ (45,231,242)	$ (38,241,644)	$ (29,140,004)	$ (14,904,722)	$ 3,720,184	$ 21,959,915
Total unemployment rate	5.86%	7.30%	9.10%	10.14%	7.81%	7.26%	7.05%	6.43%	5.62%	5.25%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

States Minimally Solvent

Each State's accumulated UTF net assets or reserve balance should provide a defined level of benefit payments over a defined period. To be minimally solvent, a State's reserve balance should provide for one year's projected benefit payment needs based on the highest levels of benefit payments experienced by the State over the last twenty years. A ratio of 1.0 or greater prior to a recession indicates a state is minimally solvent. States below this level are vulnerable to exhausting their funds in a recession. States exhausting their reserve balance must borrow funds from the Federal Unemployment Account (FUA) to make benefit payments. During periods of high-sustained unemployment, balances in the FUA may be depleted. In these circumstances, FUA is authorized to borrow from the Treasury general fund.

Chart V presents the State by State results of this analysis at September 30, 2008 in descending order by ratio. As the table below illustrates, 29 state funds were below minimal solvency ratio at September 30, 2008.

Chart V

Minimally Solvent			Not Minimally Solvent	
State	Ratio		State	Ratio
Wyoming	2.99		West Virginia	0.99
New Mexico	2.90		Delaware	0.93
Mississippi	2.84		Alabama	0.89
Utah	2.69		Maryland	0.89
Louisiana	2.59		Florida	0.88
Montana	2.49		Virginia	0.83
Oklahoma	2.42		Tennessee	0.72
Oregon	2.01		South Dakota	0.66
Washington	1.98		Illinois	0.64
Nebraska	1.95		Minnesota	0.57
Iowa	1.67		Texas	0.54
Maine	1.66		Idaho	0.53
North Dakota	1.62		Massachusetts	0.53
Hawaii	1.59		Virgin Islands	0.53
Arizona	1.54		Connecticut	0.51
Kansas	1.54		Pennsylvania	0.45
Alaska	1.47		Arkansas	0.39
District of Columbia	1.47		Wisconsin	0.37
Nevada	1.25		North Carolina	0.34
Puerto Rico	1.21		Kentucky	0.32
Vermont	1.19		Missouri	0.28
New Hampshire	1.14		New Jersey	0.28
Georgia	1.11		Rhode Island	0.28
Colorado	1.00		California	0.22
			South Carolina	0.20
			Ohio	0.19
			New York	0.16
			Indiana	0.12
			Michigan	0.00

Black Lung Disability Benefit Program

The Black Lung Disability Benefit Program provides for compensation, medical and survivor benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease) arising out of their coal mine employment. The U.S. Department of Labor operates the Black Lung Disability Benefit Program. The Black Lung Disability Trust Fund (BLDTF) provides benefit payments to eligible coal miners disabled by pneumoconiosis when no responsible mine operator can be assigned the liability.

Program Administration and Funding

Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the sale of coal, as are the fund's administrative costs. These taxes are collected by the Internal Revenue Service and transferred to the BLDTF, which was established under the authority of the Black Lung Benefits Revenue Act, and administered by the U.S. Department of the Treasury. The Black Lung Benefits Revenue Act provides for repayable advances to the BLDTF from the general fund of the Treasury, in the event that BLDTF resources are not adequate to meet program obligations.

Program Finances and Sustainability

At September 30, 2008, total liabilities of the Black Lung Disability Trust Fund exceeded assets by $10.4 billion. This deficit fund balance represented the accumulated shortfall of excise taxes necessary to meet benefit payment and interest expenses. This shortfall was funded by repayable advances to the BLDTF, which are repayable with interest. Outstanding advances at September 30, 2008 were $10.5 billion, bearing interest rates ranging from 4.250 to 13.875 percent. Excise tax revenues of $652.6 million, benefit payment expense of $267.0 million and interest expense of $739.5 million were recognized for the year ended September 30, 2008.

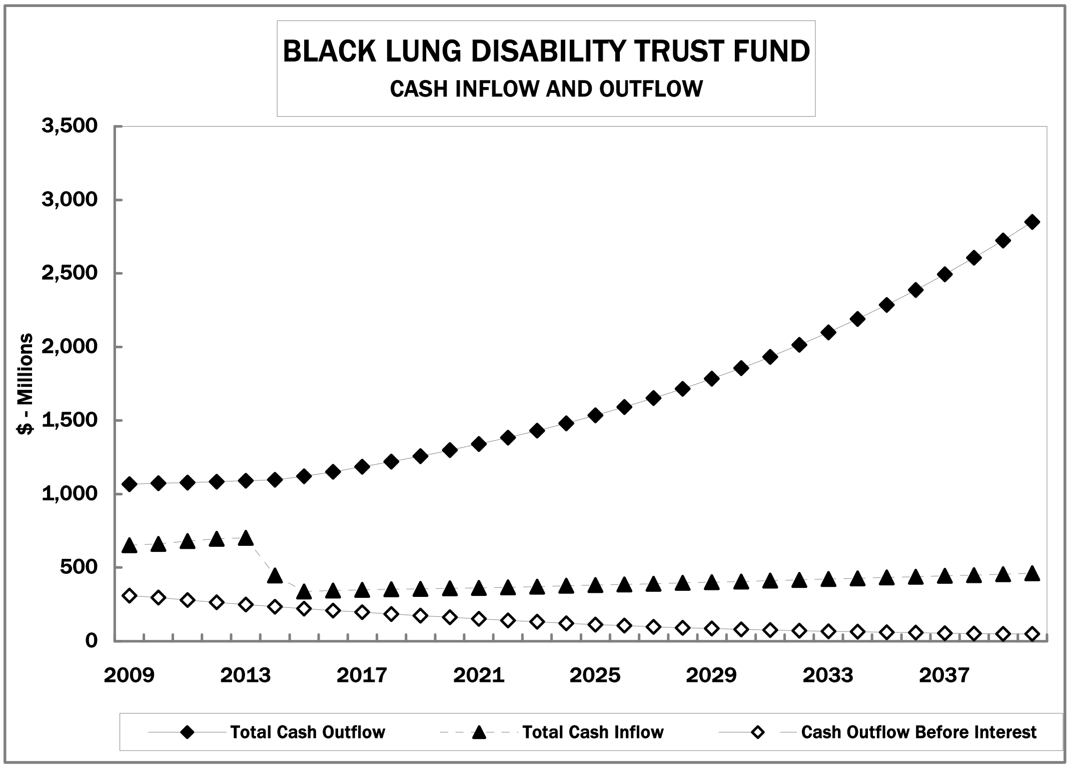
As discussed in Note 1.L.3, DOL recognized a liability for disability benefits to the extent of unpaid benefits applicable to the current period. Accrued disability benefits payable at September 30, 2008 were $19.5 million. Although no liability was recognized for future payments to be made to present and future program participants beyond the due and payable amounts accrued at year end, future estimated cash inflows and outflows of the BLDTF are tracked by the Department for budgetary purposes. The significant assumptions used in the projections are coal excise tax revenue estimates, number of beneficiaries, life expectancy, medical cost inflation, Federal civilian pay raises, and the interest rate on new repayable advances from Treasury. These projections are sensitive to changes in the tax rate and changes in interest rates on repayable advances from Treasury.

These projections, made over the thirty-two year period ending September 30, 2040, indicate that cash inflows from excise taxes will exceed cash outflows for benefit payments and administrative expenses for each period projected. Cumulative net cash inflows are projected to reach $14.1 billion by the year 2040. However, when interest payments required to finance the BLDTF's repayable advances are applied against this surplus cash inflow, the BLDTF's cash flow turns negative during each of the thirty-two periods included in the projections. Net cash outflows after interest payments are projected to reach $53.1 billion by the end of the year 2040, increasing the BLDTF's deficit to $49.4 billion at September 30, 2040. (See Chart I on following page)

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, 2008, 2007, 2006, 2005, and 2004 are presented in the Statement of Social Insurance.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Chart I



The projected decrease in cash inflows in the year 2014 and thereafter is the result of a scheduled reduction in the tax rate on the sale of coal. This rate reduction is projected to result in a fifty-one percent decrease in the amount of excise taxes collected between the years 2013 and 2015. The cumulative effect of this change is estimated to be in excess of $11.9 billion by the year 2040.

Yearly cash inflows and outflows are presented in the table on the following page.

The Energy Improvement and Extension Act of 2008, enacted on October 3, extended the higher coal excise tax rates for an additional five years from January 1, 2014 to December 31, 2018. The Act also authorized the refinancing of high interest rate Advances to U.S. Treasury and replaced them with lower interest rate zero coupon bonds. Additional income from the extension of the higher excise tax amounted to $1.8 billion. The decrease in effective interest payments amounted to $11.121 billion. These changes resulted in a zero fund balance at the end of the projection period.

Refer to Note 23 in the Notes to Consolidated Financial Statements for additional discussion regarding the effects of the Act on the Trust Fund and the Statement of Social Insurance.

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE BLACK LUNG DISABILITY TRUST FUND
FOR THE THIRTY-TWO YEAR PERIOD ENDING SEPTEMBER 30, 2040

(Dollars in thousands)	2009	2010	2011	2012	2013	2014 - 2040	Total
Balance, start of year	$ (10,439,186)	$ (10,853,741)	$ (11,266,163)	$ (11,663,387)	$ (12,051,321)	$ (12,439,987)	$ (10,439,186)
Cash inflow							
Excise taxes	653,000	661,000	681,000	696,000	702,000	10,747,269	14,140,269
Total cash inflow	653,000	661,000	681,000	696,000	702,000	10,747,269	14,140,269
Cash outflow							
Disabled coal miners benefits	253,173	236,527	220,378	204,798	189,845	2,066,602	3,171,323
Administrative costs	57,683	59,716	59,716	59,716	59,716	1,048,676	1,345,223
Cash outflows before interest payments	310,856	296,243	280,094	264,514	249,561	3,115,278	4,516,546
Cash inflow over cash outflow before interest payments	342,144	364,757	400,906	431,486	452,439	7,631,991	9,623,723
Interest on advances	756,699	777,179	798,130	819,420	841,105	44,571,557	48,564,090
Total cash outflow	1,067,555	1,073,422	1,078,224	1,083,934	1,090,666	47,686,835	53,080,636
Total cash outflow over total cash inflow	(414,555)	(412,422)	(397,224)	(387,934)	(388,666)	(36,939,566)	(38,940,367)
Balance, end of year	$ (10,853,741)	$ (11,266,163)	$ (11,663,387)	$ (12,051,321)	$ (12,439,987)	$ (49,379,553)	$ (49,379,553)

STATEMENT OF BUDGETARY RESOURCES

The principal Statement of Budgetary Resources combines the availability, status and outlay of DOL's budgetary resources during FY 2008 and 2007. Presented on the following pages is the disaggregation of this combined information for each of the Department's major budget accounts.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2008

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Office of Job Corps
BUDGETARY RESOURCES			
Unobligated balance, brought forward, October 1	$ 2,403,760	$ 1,837,745	$ -
Recoveries of prior year unpaid obligations	358,350	11,401	-
Budget authority			
Appropriations received	52,202,263	3,075,668	1,626,855
Borrowing authority	-	426,000	-
Spending authority from offsetting collections			
Earned			
Collected	74,527	2,645,916	371
Change in receivables from Federal sources	-	(844)	-
Change in unfilled customer orders			
Advance received	-	1,531	-
Without advance from Federal sources	-	-	-
Expenditure transfers from trust funds	3,436,272	34,783	-
Total budget authority	55,713,062	6,183,054	1,627,226
Nonexpenditure transfers, net	(7,200)	(674)	(13,215)
Temporarily not available pursuant to Public Law	(62,962)	(135,595)	-
Permanently not available	(766,612)	(11,546)	(28,421)
Total budgetary resources	$ 57,638,398	$ 7,884,385	$ 1,585,590
STATUS OF BUDGETARY RESOURCES			
Obligations incurred			
Direct	$ 56,045,818	$ 3,183,078	$ 1,026,949
Reimbursable	32,032	2,719,549	317
Total obligations incurred	56,077,850	5,902,627	1,027,266
Unobligated balances available			
Apportioned	524,223	1,411,223	558,324
Exempt from apportionment	-	239,306	-
Total unobligated balances available	524,223	1,650,529	558,324
Unobligated balances not available	1,036,325	331,229	-
Total status of budgetary resources	$ 57,638,398	$ 7,884,385	$ 1,585,590
CHANGE IN OBLIGATED BALANCE			
Obligated balance, net			
Unpaid obligations, brought forward, October 1	$ 8,370,953	$ 292,207	$ -
Less uncollected customer payments from Federal sources, brought forward, October 1	(1,242,900)	(1,027)	-
Total unpaid obligated balance, net	7,128,053	291,180	-
Obligations incurred, net	56,077,850	5,902,627	1,027,266
Less gross outlays	(55,951,639)	(5,892,378)	(755,877)
Less recoveries of prior year unpaid obligations, actual	(358,350)	(11,401)	-
Change in uncollected customer payments from Federal sources	66,456	844	-
Obligated balance, net, end of period			
Unpaid obligations	8,138,814	291,055	271,389
Less uncollected customer payments from Federal sources	(1,176,444)	(183)	-
Total unpaid obligated balance, net, end of period	$ 6,962,370	$ 290,872	$ 271,389
NET OUTLAYS			
Gross outlays	$ 55,951,639	$ 5,892,378	$ 755,877
Less offsetting collections	(3,577,254)	(2,682,231)	(371)
Less distributed offsetting receipts	(736,291)	(4,589)	-
Net outlays	$ 51,638,094	$ 3,205,558	$ 755,506

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Occupational Safety and Health Administration	Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Total
$ 16,286	$ 9,060	$ 1,271	$ 16,976	$ 5,521	$ 21,162	$ 4,311,781
8,309	7,506	5,719	1,797	989	24,124	418,195
494,641	476,861	339,862	141,790	31,522	394,540	58,784,002
-	-	-	-	-	-	426,000
2,354	5,584	1,408	12,460	124	204,692	2,947,436
14	-	-	-	-	(3,166)	(3,996)
-	-	-	-	-	781	2,312
-	-	-	-	-	-	-
-	75,120	-	-	195,247	30,965	3,772,387
497,009	557,565	341,270	154,250	226,893	627,812	65,928,141
(1,035)	(514)	(2,182)	(177)	-	15,247	(9,750)
-	-	-	-	-	-	(198,557)
(13,484)	(11,090)	(6,382)	(3,334)	(754)	(11,283)	(852,906)
$ 507,085	$ 562,527	$ 339,696	$ 169,512	$ 232,649	$ 677,062	$ 69,596,904
$ 491,592	$ 547,532	$ 337,062	$ 154,382	$ 228,869	442,017	$ 62,457,299
1,483	5,565	1,169	12,130	-	209,932	2,982,177
493,075	553,097	338,231	166,512	228,869	651,949	65,439,476
15	-	29	33	49	5,376	2,499,272
-	-	-	-	-	93	239,399
15	-	29	33	49	5,469	2,738,671
13,995	9,430	1,436	2,967	3,731	19,644	1,418,757
$ 507,085	$ 562,527	$ 339,696	$ 169,512	$ 232,649	$ 677,062	$ 69,596,904
$ 95,692	$ 75,289	$ 48,610	$ 40,172	$ 56,100	$ 390,505	$ 9,369,528
(8,099)	-	-	-	-	(9,342)	(1,261,368)
87,593	75,289	48,610	40,172	56,100	381,163	8,108,160
493,075	553,097	338,231	166,512	228,869	651,949	65,439,476
(493,520)	(546,931)	(346,743)	(154,261)	(222,385)	(663,876)	(65,027,610)
(8,309)	(7,506)	(5,719)	(1,797)	(989)	(24,124)	(418,195)
(14)	-	-	-	-	10,731	78,017
86,938	73,949	34,379	50,626	61,595	354,454	9,363,199
(8,113)	-	-	-	-	1,389	(1,183,351)
$ 78,825	$ 73,949	$ 34,379	$ 50,626	$ 61,595	$ 355,843	$ 8,179,848
$ 493,520	$ 546,931	$ 346,743	$ 154,261	$ 222,385	$ 663,876	$ 65,027,610
(2,354)	(80,704)	(1,408)	(12,460)	(195,370)	(236,438)	(6,788,590)
-	-	-	-	-	-	(740,880)
$ 491,166	$ 466,227	$ 345,335	$ 141,801	$ 27,015	$ 427,438	$ 57,498,140

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2007

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration
BUDGETARY RESOURCES			
Unobligated balance, brought forward, October 1	$ 2,387,191	$ 1,715,502	$ 21,835
Recoveries of prior year unpaid obligations	160,292	9,100	8,739
Budget authority			
Appropriations received	52,188,334	2,903,394	486,925
Borrowing authority	426,000	-	-
Spending authority from offsetting collections			
Earned			
Collected	74,576	2,501,508	2,766
Change in receivables from Federal sources	(1)	(2,564)	(1,027)
Change in unfilled customer orders			
Advance received	-	2,907	-
Without advance from Federal sources	-	-	-
Expenditure transfers from trust funds	3,328,586	35,620	-
Total budget authority	56,017,495	5,440,865	488,664
Nonexpenditure transfers, net	(822,728)	425,460	(1,589)
Temporarily not available pursuant to Public Law	(8,454,205)	(19,799)	-
Permanently not available	(105,951)	(2,804)	(7,243)
Total budgetary resources	$ 49,182,094	$ 7,568,324	$ 510,406
STATUS OF BUDGETARY RESOURCES			
Obligations incurred			
Direct	$ 46,722,026	$ 3,108,239	$ 492,669
Reimbursable	56,308	2,622,340	1,451
Total obligations incurred	46,778,334	5,730,579	494,120
Unobligated balances available			
Apportioned	1,000,005	1,414,932	58
Exempt from apportionment	-	178,811	-
Total unobligated balances available	1,000,005	1,593,743	58
Unobligated balances not available	1,403,755	244,002	16,228
Total status of budgetary resources	$ 49,182,094	$ 7,568,324	$ 510,406
CHANGE IN OBLIGATED BALANCE			
Obligated balance, net			
Unpaid obligations, brought forward, October 1	$ 8,004,128	$ 295,434	$ 85,115
Less uncollected customer payments from Federal sources, brought forward, October 1	(1,208,324)	(5,618)	(9,126)
Total unpaid obligated balance, net	6,795,804	289,816	75,989
Obligations incurred, net	46,778,334	5,730,579	494,120
Less gross outlays	(46,251,217)	(5,724,706)	(474,804)
Less recoveries of prior year unpaid obligations, actual	(160,292)	(9,100)	(8,739)
Change in uncollected customer payments from Federal sources	(34,576)	4,591	1,027
Obligated balance, net, end of period			
Unpaid obligations	8,370,953	292,207	95,692
Less uncollected customer payments from Federal sources	(1,242,900)	(1,027)	(8,099)
Total unpaid obligated balance, net, end of period	$ 7,128,053	$ 291,180	$ 87,593
NET OUTLAYS			
Gross outlays	$ 46,251,217	$ 5,724,706	$ 474,804
Less offsetting collections	(3,368,584)	(2,542,063)	(2,766)
Less distributed offsetting receipts	(761,562)	(6,388)	(170)
Net outlays	$ 42,121,071	$ 3,176,255	$ 471,868

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Total
$ 9,057	$ 22,740	$ 2,077	$ 2,848	$ 35,036	$ 4,196,286
7,130	2,971	2,798	4,428	25,215	220,673
471,056	301,570	141,573	29,244	399,705	56,921,801
-	-	-	-	-	426,000
6,636	1,322	11,142	65	189,572	2,787,587
-	(15)	-	-	(1,687)	(5,294)
-	-	-	-	(3,126)	(219)
-	-	-	-	-	-
75,930	-	-	193,945	31,461	3,665,542
553,622	302,877	152,715	223,254	615,925	63,795,417
(244)	(147)	6,849	-	2,772	(389,627)
-	-	-	-	-	(8,474,004)
(2,505)	(628)	(1,163)	(1,334)	(10,563)	(132,191)
$ 567,060	$ 327,813	$ 163,276	$ 229,196	$ 668,385	$ 59,216,554
$ 551,634	$ 325,427	$ 135,303	$ 223,675	$ 461,098	$ 52,020,071
6,366	1,115	10,997	-	186,125	2,884,702
558,000	326,542	146,300	223,675	647,223	54,904,773
305	170	14,098	677	10,744	2,440,989
-	-	-	-	137	178,948
305	170	14,098	677	10,881	2,619,937
8,755	1,101	2,878	4,844	10,281	1,691,844
$ 567,060	$ 327,813	$ 163,276	$ 229,196	$ 668,385	$ 59,216,554
$ 74,100	$ 24,067	$ 43,819	$ 60,111	$ 433,670	$ 9,020,444
-	(15)	-	-	(13,769)	(1,236,852)
74,100	24,052	43,819	60,111	419,901	7,783,592
558,000	326,542	146,300	223,675	647,223	54,904,773
(549,681)	(299,028)	(147,149)	(223,258)	(665,173)	(54,335,016)
(7,130)	(2,971)	(2,798)	(4,428)	(25,215)	(220,673)
-	15	-	-	4,427	(24,516)
75,289	48,610	40,172	56,100	390,505	9,369,528
-	-	-	-	(9,342)	(1,261,368)
$ 75,289	$ 48,610	$ 40,172	$ 56,100	$ 381,163	$ 8,108,160
$ 549,681	$ 299,028	$ 147,149	$ 223,258	$ 665,173	$ 54,335,016
(82,566)	(1,322)	(11,142)	(194,010)	(217,907)	(6,420,360)
(12)	(49)	(24,168)	-	(2,662)	(795,011)
$ 467,103	$ 297,657	$ 111,839	$ 29,248	$ 444,604	$ 47,119,645

2001 2002 2003 2004 2005 2006 2007

Other Accompanying Information

Summary of Financial Statement Audit and Management Assurances

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

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
FISMA access control and information security	1		1			
Total Material Weaknesses	1	0	1	0	0	0
Conformance with financial management system requirements (FMFIA § 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total non-conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	Yes
2. Accounting Standards	Yes	Yes
3. USSGL at Transaction Level	Yes	Yes

Improper Payments Information Act Reporting Details

The Improper Payments Information Act (IPIA) of 2002, as implemented by OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments, requires federal agencies to review their programs and activities annually, identify programs that may be susceptible to significant improper payments, perform testing of programs considered high risk, and develop and implement corrective action plans for high risk programs.

The Department's risk assessment for FY 2008 identified one program—the Unemployment Insurance (UI) benefit program—to be at risk of significant improper payments in accordance with OMB criteria (programs with annual improper payments exceeding both $10 million and 2.5 percent of annual program payments). However, two other programs, the Federal Employees' Compensation Act (FECA) benefit program, and the Workforce Investment Act (WIA) grant program, were classified as high risk in former Section 57 of OMB's Circular A-11 (now A-123, Appendix C), although the Department's risk assessment did not support such a high risk designation.

In FY 2008, the Department performed detailed testing for the UI, FECA and WIA programs, to identify improper payments and their major causes. The Department has corrective actions to address the causes and reduce improper payments in each of these programs and has established improper payment reduction targets in accordance with OMB guidance. Additionally, in FY 2008 a recovery audit was performed to identify FY 2007 improper contractor payments. The recovery audit did not disclose any improper payments.

The Department met its improper payments reduction targets. The table below provides the resulting improper payments error rates based on the detailed testing for the three programs designated as high risk.

Table 1: Estimated Improper Payments Rates for the Department's At Risk Programs

DOL Program	FY 2006	FY 2007	FY 2008
Unemployment Insurance	10.7%	10.3%	10.0%
Federal Employees' Compensation Act	.03%	.01%	0.02%
Workforce Investment Act	.17%	.08%	.07%

I. Risk Assessment

The Department's FY 2008 risk assessment of its various programs included the following:

- Reviewed prior three year's results of IPIA risk assessments and detailed tests. In addition to testing the three programs designated as high risk (UI, FECA, and WIA), DOL performed detailed testing on all its other significant programs in each of last 4 years. These programs included Black Lung Disability Trust Fund, Energy Employees Occupational Illness Compensation Program, State Unemployment Insurance and Employment Service Operations, Payroll Costs and Non Payroll Costs. The results of this detailed testing showed that these programs were low risk.
- Reviewed DOL OIG and Government Accountability Office (GAO) audit reports issued for DOL programs to determine whether the reports indicate that control weaknesses or other issues could potentially impact the amount improper payments for DOL programs.
- Reviewed results of the Department's OMB Circular A-123 internal control assessment to determine whether control weaknesses were identified that could potentially impact the amount of improper payments for DOL programs.
- Reviewed DOL programs' funding levels for FY 2008 for significant changes in program funding that may impact the amount of improper payments.

As noted previously, the risk assessment for FY 2008 identified the Unemployment Insurance benefit program to be at risk of significant improper payments. The Federal Employees' Compensation Act benefit program and the Workforce Investment Act grant program are also classified as high risk because they were designated as high risk in former Section 57 of OMB's Circular A-11 (now A-123, Appendix C).

Table 2: Department of Labor's High Risk Programs

DOL Program	Risk	Reason for High Risk Classification
Unemployment Insurance	High	Exceeds OMB Threshold; Designated High Risk Program by former Section 57
Federal Employees' Compensation Act	High	Designated High Risk Program by former Section 57
Workforce Investment Act	High	Designated High Risk Program by former Section 57

II. Statistical Sampling

The following sampling was performed for the three programs designated as high risk:

Unemployment Insurance

Sampling Methodology: Improper payment rates are obtained from the Benefit Accuracy Measurement (BAM) program. BAM is designed to determine the accuracy of paid and denied claims in the three largest permanently authorized unemployment compensation (UC) programs: State Unemployment Insurance (State UI)[2], Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Service Members (UCX). The Department reports two overpayment rates, as well as an underpayment rate from the BAM results. The Annual Report Overpayment Rate is a comprehensive estimate of those UI payments that were either paid the wrong amount or were improperly paid based on UI eligibility provisions in state law and policy. The second overpayment rate, the Operational rate, includes only those overpayments that states are most likely to detect and establish for recovery and return to the Unemployment Trust Fund through ordinary improper payment detection and recovery procedures, known as Benefit Payment Control (BPC).

BAM reconstructs the UI claims process for randomly selected weekly samples of paid and denied claims through original fact finding conducted by trained investigators. For claims that were overpaid, underpaid, or improperly denied, BAM determines the amount of benefits the claimant should have received, the cause of and the party responsible for the error, the point in the UI claims process at which the error was detected, and actions taken by the agency and employer prior to the error.

In reconstructing each sampled payment, the BAM program retroactively investigates the accuracy of the UI claim's monetary and separation determination as well as all information relevant to determining weekly eligibility for the sampled payment, including the claimant's efforts to find suitable work, ability and availability for work, and earnings from casual employment or other income sources, such as pensions. Effective January 2008, all paid claims sampled for BAM investigation must be matched with the National Directory of New Hires (NDNH) database to improve the ability to detect overpayments due to individuals who claim benefits after returning to work, the largest single cause of UI overpayments.

Using the same methodology applied to paid claims, BAM Denied Claim Accuracy assesses the accuracy of decisions to deny eligibility for UI that were made at the monetary, separation, and continuing eligibility levels of the claims taking process.

[2] Included in the UI program are the 50 states and Puerto Rico, US Virgin Islands and the District of Columbia (referred to as states/areas). The US Virgin Islands does not participate in BAM.

Sample Selection: The universe (population) includes paid and denied claims under the State UI, UCFE, and UCX programs, which collectively account for approximately 95 percent of the outlays of the permanent UC programs in an average year. Data on overpayment and underpayment rates for FY 2008 shown in the Improper Payment Reduction Outlook Table are for the period July 1, 2007, to June 30, 2008. Data are shown for this period rather than the Fiscal Year because a higher percentage of BAM investigations have been completed and will, therefore, produce more accurate estimates. Based on historical data, those BAM cases requiring the most time to complete are more likely to have payment errors. The BAM program standard is to complete at least 95 percent of the cases within 90 days. For the period July 1, 2007, to June 30, 2008 state agencies completed audits for over 24,600 paid claims cases, a completion rate of 99.8 percent. For Denied Claims Accuracy (DCA) over the same period, states completed audits for 23,500 denied UI claims, a completion rate of 99.8 percent.

Workforce Investment Act

Sampling Methodology: The Department used a separate methodology to assess the risk of improper payments in the WIA grant program because grant programs are administered differently than benefit programs. Unlike the benefit programs, data are not readily available to allow the Department to directly sample grant payments to develop a statistically valid estimate of improper payments. This is because the grant programs' funding stream makes it very difficult to assess the improper payment rate on payments to final recipients. The Department provides grants to states, cities, counties, private non-profits, and other organizations to operate programs, and relies significantly on Single Audit Act Reports (as required by the Single Audit Act of 1996[3]) to monitor funding to all grant recipients. Based on a review of the definition of questioned costs in OMB Circular A-133 and OMB's IPIA implementation guidance, the Department determined that questioned costs can be used as a proxy for improper payments. Therefore, these Single Audit Act Reports were utilized to determine the improper payment rate for the WIA grant program.

The Department reviewed FY 2006 Single Audit Act Reports with Department of Labor-related findings from the Federal Audit Clearinghouse (which is the national repository of Single Audit Act Reports) and identified all WIA program questioned costs included in such reports. FY 2006 reports were the most recent reports available for review. As additional evidence that no other audit reports included questioned costs for the DOL grants programs, the Department selected and reviewed random samples of audit reports classified in the Clearinghouse database as not having any questioned costs. To determine an approximate rate of improper payments for the grant programs, the Department divided the amount of questioned costs by the direct program outlays from the FY 2006 Single Audit Act Reports. The resulting improper payment rate (assumed to be representative of the FY 2008 rate) was applied to the WIA program outlays for FY 2008 to determine the estimated improper payment amount for FY 2008.

Sample Selection: The universe consisted of all FY 2006 Single Audit Act Reports covering DOL's grants from the Census Bureau's Federal Audit Clearinghouse. The Department stratified this universe of audit reports into four strata or categories based on criteria contained in the Clearinghouse database. The four strata were:

- Stratum #1: Audit reports in which the WIA grant program was audited as a major program and the report identified questioned costs for one or more federal programs (not necessarily the WIA grant program).
- Stratum #2: Audit reports in which the WIA grant program was audited as major program and the report identified a reportable condition but no questioned costs for one or more federal programs (not necessarily the WIA grant program).

[3] The Single Audit Act of 1996 provides for consolidated financial and single audits of state, local, non-profit entities, and Indian tribes administering programs with Federal funds. Since 1997, all non-Federal entities that expend over $300,000 ($500,000 for fiscal years after December 31, 2003) or more of Federal awards in a year are subject to a consolidated financial single audit; any non-Federal entities that do not meet this threshold are not required to have a single audit. All non-Federal entities are required to submit all single audit reports to a Federal Audit Clearinghouse (Clearinghouse) that is administered by the Census Bureau.

- Stratum #3: Audit reports in which the WIA grant program was audited as major program and the report identified no questioned costs or reportable conditions for any federal program, including the WIA grant program.
- Stratum #4: Audit reports in which the grants programs were audited as a non-major program.

For strata #1, the Department reviewed *100 percent* of the audit reports from the Clearinghouse database to determine whether the WIA grant program was among those reported to have questioned costs. For strata #2, #3 and #4, the Department reviewed *random samples* of the audit reports from the Clearinghouse database.

Federal Employees' Compensation Act

Sampling Methodology: A Monetary Unit Sampling approach was applied to estimate improper payments for both medical bill payments and compensation payments. For medical payments, sampling was designed to test payment issues such as duplicate payments, appropriate receipts, consistency with regional allowances, payments made for appropriate procedures, and eligibility at date of service. The compensation payment sampling was designed to test payment issues such as consistency with identified injury, current medical evidence supporting continued compensation payments, eligibility requirements, and calculations of compensation amounts.

Sample Selection: The population of the FECA compensation and medical payments from which the sample was selected included payments made during the period July 1, 2007 through June 30, 2008. The population was stratified for compensation payments and medical payments. A sample of 264 items was selected and tested.

III. Corrective Actions

Unemployment Insurance

The Department's analytical studies indicate that earlier detection of recoverable overpayments is the most cost-effective way to address improper payments. The leading cause of overpayments is claimants who have returned to work and continue to claim UI benefits. Early detection of these overpayments -- which represented over 30 percent of all overpayments in FY 2008 -- allows agencies to stop payments sooner and to recover these overpayments more readily. Matching the Social Security Numbers (SSNs) of UI claimants with the National Directory of New Hires (NDNH) database is the most effective tool in identifying these improper payments. All states/areas were required to use NDNH crossmatches as part of their BAM programs by January 1, 2008. As of September 30, 2008, 48 states/areas have implemented NDNH matching, and three others have signed the computer-matching agreement with the Department of Health and Human Services (HHS), which maintains the NDNH database and are in the process of completing the work required to connect with the NDNH. The Department has requested that the remaining two state agencies complete their computer-matching agreements and provide a plan of action to meet the NDNH matching requirements. The Department estimates that the 48 states/areas matching UI beneficiaries with the NDNH, together with the four states/areas matching with their State Directory of New Hires (SDNH), prevented approximately $93 million of overpayments in the current fiscal year.

The second largest cause of overpayments is errors in handling separation issues, which represented nearly 25 percent of all overpayments in FY 2008. To reduce improper payments due to separation issues, the Department has two efforts underway. First, the Department is working closely with a five-state consortium and its contractor to facilitate the design and implementation of the Separation Information Data Exchange System (SIDES) -- an automated employer response system to standardize the collection of information on employee separations from employers and third-party administrators (TPAs) to improve the accuracy of claimant eligibility determinations. Currently, system development is underway and is scheduled for testing in mid-FY 2009. Second, funding has been provided to states to support the training of approximately 400 state adjudicators. These training sessions are designed to improve claimant eligibility determinations and thus reduce improper payments that result from nonmonetary determination errors. Through the third quarter of FY 2008, 360 staff have been trained, and an additional 40 staff will be trained at the session to be conducted before the end of calendar year 2008.

Most of the improper UI payments not caused by benefit year earnings or separation errors are due to the claimant not meeting one or more of the continued eligibility requirements, including conducting an active work search, registering with the state employment service, and being able and available for work. In FY 2005, the Department began providing states funds to conduct Reemployment and Eligibility Assessment (REAs) with UI beneficiaries to reduce improper payments both by speeding claimants' return to work and by detecting and preventing eligibility violations. For FY 2008, the original 19 participating states received REA grants, funded at the previous fiscal year level. Because additional funds requested were not appropriated, the number of states receiving REA grants could not be expanded.

Federal Employees' Compensation Act

The FECA program continues its progress in improving medical bill processing using an outsourced bill processing service. Significant attributes of the service include the ability to better match treatments, including pharmaceuticals, to work related injury or illness and more sophisticated bill editing techniques. The bill processing service uses automated front-end editing operations to check for provider and claimant eligibility, accepted condition and treatment type, billing form and content, and duplications. The service uses proprietary software to screen professional medical and outpatient hospital bills to check for certain improper billing practices. Furthermore, on-site process audits resulted in clearer instructions and corrective action plans.

Additional causes of improper payments for FECA include: (1) incorrect or incomplete information submitted for the claims record (such as pay rate, night differential rate, retirement plan, etc.); (2) Office of Workers' Compensation Programs (OWCP)[4] errors including mistakes in judgment or interpretation in making decisions; (3) miscalculations in making payments; and (4) claimant fraud or misrepresentation. OWCP's integrity initiatives to address these issues are as follows:

- Medical bill processing performance is reviewed as a routine function of National Office oversight of the central bill processing contract and is used to score against performance requirements specified in the contract.
- Samples of medical payments are audited monthly by FECA district office staff for both financial and procedural errors.
- Compensation payment performance is reviewed by FECA district office managers, line supervisors, and fiscal operations staff; frequency of review varies according to need (e.g., supervisors and fiscal staff look at performance almost on a per-transaction basis; whereas, summary performance is reviewed daily, weekly, or quarterly by supervisors and managers). Results are monitored in the National Office and used to design procedural revisions or corrective action plans for the District Offices. The National Office also conducts formal biennial accountability reviews to rate each District Office for quality and accuracy. System reports used to analyze payment information include the Report on Receivables Due from the Public (Schedule 9), Accounts Receivable Aging Schedule and Performance reports. Regular matching of death records is done to reduce improper payments.
- Case management techniques are used to monitor ongoing entitlement to benefits and payment accuracy. For example, FECA's Periodic Roll Management (PRM) units monitor cases receiving long-term disability benefits. Changes in medical condition or ability to return to work are identified by regular ongoing PRM review of the cases, and compensation benefits may be reduced or terminated. Benefit reductions also result from new information reported about changes in status, such as the death of a claimant. The key outcome measure for PRM is the annual amount of benefit savings generated from these case actions. Benefits savings can also be compared directly to PRM administrative costs.

[4] OWCP oversees the administration of the Federal Employees' Compensation program.

- Improvements continue in documentation quality and faster transmission of notice of injury and claims for compensation from the agencies to OWCP. Progress in submitting these forms more quickly yields faster and more accurate adjudication and payment and fewer customer service problems. More than a quarter of new claims are now received via Electronic Data Interchange. That percentage is expected to grow in the future. To improve the quality of the claims record which is the basis for payment calculation, employing agency access to claims information was enhanced so they can access the details of a payment on-line and discover any flaws in the data they submitted.
- The FECA program samples compensation and medical payments during biennial accountability reviews to minimize erroneous payments and identify potential program weaknesses. Regular reviews of the accounts receivable system are conducted to ensure that debt collection efforts are maximized. Medical bill payment reports and reviews of the utilization of high-cost/high-incidence medical services for appropriateness are conducted by the program. The program also makes use of the Periodic Entitlement Review (PER) system in iFECS to review and track long-term disability cases.
- The FECA program is pursuing improved safeguards against improper payments with ongoing enhancements to its IT system, iFECS. The program has instituted advanced edit checks and certification processes in the Compensation and Case Management applications that will minimize the FECA program's improper payments. Beginning in FY 2008, a new quarterly performance measure was established to track timely debt identification and processing and elevated the review of district office overpayment performance to the FECA National Office.
- The program continues to develop and promote technology adoption by the employing agencies to improve and speed data sharing that will help reduce the incidence of improper payments when claimants return to work. The program is in the process of developing a number of new data sharing ventures that will help agencies verify payment information to ensure accuracy of those payments. The program continues to pursue expanded statutory authority for employment and benefit data matching arrangements.
- The program is developing new training capacities to reduce and minimize the impact of improper payments by improving claims adjudication and compensation payment performance across the program, as well as providing claims examiner training that targets improved improper payment identification, processing and collection.

Workforce Investment Act

The improper payment rate estimate work indicated that the major types of errors found in the WIA program are non-compliance with WIA regulations and internal control weaknesses. The grant management and monitoring processes focus on both of these items. ETA currently uses a multi-step approach to ensure proper administration and effective program performance of WIA grants. First, ETA starts its review/oversight process by conducting a structured risk assessment of all new grants and grantees. Risk assessments are periodically revised as new information about a grant and grantee becomes available through desk reviews, onsite reviews or other sources of information. Second, ETA Federal Project Officers (FPOs) conduct quarterly desk reviews of the financial and program performance of each grant. The results of these activities are contained in the Grants e-Management Solution (GEMS), an electronic tracking and grant management system. This serves as an early warning system to detect potential financial management and/or programmatic performance issues and allows ETA to target technical assistance more effectively. Finally, ETA staff (FPOs, financial management and others) conduct periodic onsite reviews of grantees. ETA attempts to conduct an onsite review of each grantee at least once every three years, but actual review schedules are based on the results of the risk assessments and desk reviews. Onsite reviews are conducted using ETA's Core Monitoring Guide as well as program specific and technical guide supplements designed to provide a more detailed review of program requirements and financial activities. Results of the onsite monitoring activities are also cataloged in the GEMS system. For grantees with large numbers of sub-recipients (e.g., WIA formula grantees), the onsite review conducted using the formula program supplement to the Core Guide includes an assessment of the grantee's sub-recipient monitoring activities. In addition, ETA conducts onsite review of local areas as part of its review of the state grantee. The results of the onsite monitoring are also catalogued in the GEMS system. ETA now has the capability to review trends or issues that arise in a more comprehensive and consistent manner. Whenever deficiencies or problems are identified as a result of a desk review, onsite review, or an independent audit, ETA immediately begins working with the grantee to obtain appropriate corrective actions. Corrective actions undertaken by the grantee are tracked by ETA and follow-up technical assistance and reviews are scheduled as needed.

The ETA Division of Policy Review and Resolution processes each grant at closeout, reviewing final grantee reports, the grant closeout package, FPO recommendations, and other documents available to them to determine whether the objectives of the grant were accomplished and that all funds were expended as authorized. Any expenditures which are questioned are resolved through the normal determination process and disallowed costs are forwarded for collection. The Audit Resolution staff receives grantee A-133 audit reports which report questioned costs and/or administrative weaknesses in need of correction. These items are followed up using the same determination process noted above, disallowed costs are forwarded for collection, and resolution reported back to the OIG. In addition, these units participate in special grantee reviews and provide fiscal policy training for grantee and federal staff.

IV. Improper Payment Reduction Outlook FY 2007– FY 2011 ($ in millions)

Program	FY 2007			FY 2008			FY 2009			FY 2010			FY 2011		
	Outlays	%	$	Outlays	%	$	Est Outlays	%	$	Est Outlays	%	$	Est Outlays	%	$
Unemployment Insurance	$31,530			$39,123			$45,508			$44,374			$43,686		
Operational Rate		5.95%	$1,876		5.49%	$2,148		5.5%	$2,503		5.4%	$2,396		5.3%	$2,315
Annual Report Rate Over- payment		9.71%	$3,062		9.25%	$3,619		9.25%	$4,209		9.15%	$4,060		9.05%	$3,954
Underpayment		0.59%	$186		0.71%	$278		0.71%	$323		0.71%	$315		0.71%	$310
Federal Employees Compensation Act	$2,654	0.1%	$2.6	$2,737	0.02%	$0.5	$2,732	0.02%	$.5	$2,792	0.02%	$.6	$2,854	0.02%	$.6
Workforce Investment Act	$3,606	0.08%	$2.9	$3,547	0.07%	$2.5	$3,551	0.07%	$2.5	$3,017	0.07%	$2.1	$2,954	0.07%	$2.1

Note: The rates were determined as described in the preceding pages and applied to the outlays for the fiscal year.

Recovery of Improper Payments

State Benefit Payment Control operations identify UI overpayments for recovery through such methods as crossmatching claimant SSNs with State and National Directories of New Hires, wage record files submitted each quarter by employers, matches with other databases, such as Workers Compensation and State Corrections, and other sources such as appeals, reversals and tips and leads. States collect overpaid claims through offsets of UI benefits, state income tax offsets, and direct cash reimbursement from the claimant. The FECA program identifies overpayments for recovery through such methods as crossmatching claimant SSNs with Social Security Administration databases, beneficiary or survivor reporting, and internal reviews of payments. The identification of overpayments for recovery for the WIA program is primarily done through the Single Audit Act reports and Office of Inspector General (OIG) and Government Accountability Office (GAO) program audits From FY 2004 through FY 2008 approximately $2,627 million has been recovered.

V. Recovery Auditing

Recovery auditing is a control technique to identify improper contractor payments and initiate recovery actions where appropriate. Recovery auditing involves data analysis and detailed reviews of the documentation supporting contract payments, including purchase orders, invoices, vendor statements/correspondence, procurement records, contracts, contract modifications, payment transaction records, etc.

Prior to FY 2008 the Department performed statistical sampling of non-payroll costs consisting of department expenses, including contract payments, related to the operation and administration of programs' and headquarters' activities. Such testing found no improper payments among the contract payments. In FY 2008, the department performed a recovery audit of the contract payments made during FY 2007. The work was performed by an independent contractor under a contingency fee arrangement. The contract auditor performed an analysis of the payment database and reviewed supporting documentation for various selected payments. The contract auditor examined over 80,000 payments covering approximately $1.75 billion. Excluded from the contractors review were payments to other Federal departments and payments for travel reimbursements to and on behalf of employees. The contract auditor did not identify any improper payments. The auditor made several suggestions regarding future recovery audits which management will evaluate.

(in millions)

Agency	Amount Subject to Review	Actual Amount Reviewed	Amounts Identified for Recovery	Amounts Recovered
DOL	$1,751	$1,751	$0	$0

VI. Management Accountability

Existing control processes and the implementation of the revised OMB Circular A-123 requirements continue to ensure that the Department's internal controls over financial reporting and systems are well documented, sufficiently tested, and properly assessed. In turn, improved internal controls enhance safeguards against improper payments, fraud, waste, and abuse and better ensure that the Department's resources continue to be used effectively and efficiently to meet the intended program objectives. Furthermore, this Department-wide effort supports the Secretary of Labor's annual certification of internal controls in the PAR. The OCFO continues with the quarterly financial management certifications and reviews with each agency in the Department. These controls began in fiscal year 2003. The primary objectives of this oversight are to obtain assurances of DOL compliance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA), the Federal Financial Management Improvement Act of 1996 (FFMIA), and IPIA, to enhance the Department's internal financial controls, and to resolve financial management issues in a more efficient and timely manner. The quarterly certification process allows for an open discussion of each agency's progress in resolving internal control issues, audit findings, and improper payments, as well as establishing a formal, early warning process to identify and address other potential problem areas.

Employment and Training Administration (ETA), is responsible for Federal oversight of state unemployment insurance (UI) programs, including oversight of state activities to reduce and recover improper UI benefit payments. ETA has taken/continues to take the following steps to hold Federal managers accountable for reduction and recovery of improper UI payments by states.

- ETA requires states to measure and report the percent, dollar amount, and reasons for improper payments. These data are derived from investigations of a statistically valid sample of payments using Federally prescribed procedures. ETA reviews these data for validity, analyzes data for each state, and makes the data available publicly. Data review, analysis and publication are included in the performance plan of the Administrator of ETA’s Office of Workforce Security (OWS) and in the elements and standards of numerous staff in that office.
- In 2005, ETA 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. Development

and implementation of this measure were included in OWS managers' performance plans; analysis and monitoring states' corrective actions continues to be an evaluation factor.

- 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 OWS administrator and managers are evaluated. A few of the most noteworthy are described below:
  - *National Directory of New Hires:* Facilitating the state roll-out of the NDNH crossmatch to address the largest cause of UI improper payments – earnings while benefits are being paid. The Department's activities are discussed in Section III (Corrective Actions).
  - *National Integrity Conference:* In order to provide a forum for disseminating successful practices for preventing, detecting and recovering UI overpayments, the Department in partnership with the National Association of State Workforce Agencies sponsored the National Unemployment Insurance Integrity Professional Development Conference in April 2008.
  - *Adjudication Training Sessions:* In order to improve the quality and accuracy of initial UI eligibility determinations, five training sessions were completed in 2007 with 200 state staff trained, and an additional 200 are expected to be trained in 2008.
  - *Separation Information Data Exchange System:* This initiative will improve the accuracy of claimant eligibility determinations, which is the second largest cause of improper payments by enabling state agencies to obtain more timely and complete information regarding the reasons that UI applicants were separated from work. The Department's activities are discussed in Section III (Corrective Actions).
  - *Unemployment Compensation Integrity Act of 2008:* A significant provision in this set of legislative proposals would authorize recovery of improper UI payments from Federal income tax refunds—increasing recoveries substantially. A modified version of that provision (limited to certain fraud improper payments) was enacted on September 30, 2008 in the "SSI Extension for Elderly and Disabled Refugees Act" (P.L. 110-328). Action steps involved in implementation will be included in managers' performance standards.

In FY 2009, OWS will also 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:

- The Department will continue its outreach efforts and provide technical assistance to the remaining states/areas not yet matching with NDNH.
- Plan and conduct the FY 2009 Unemployment Insurance National Benefits and Adjudication Forum in April 2009. This forum will showcase best practices in UI benefits, management, and training.
- Contingent on FY 2009 appropriations, expand Reemployment and Eligibility Assessment (REA) initiatives designed to reduce improper payments of UI benefits and promote quicker reemployment.

As part of its monitoring and oversight responsibilities of the State's UI operations, the Department takes an active role in facilitating and promoting strategies to reduce improper payments and meet the payment accuracy and recovery targets set by the Office of Management and Budget. However, it should be noted that these strategies require the cooperation and implementation by individual states, including changes to state laws and regulations. The Department has no explicit authority over how states establish priorities in administering their UI programs and, therefore, can only make recommendations and provide technical assistance in the use of these strategies.

Beginning in FY 2008, a new FECA quarterly performance measure was established to track timely debt identification and processing and elevated the review of district office overpayment performance to the FECA National Office. The program is also developing new training capacities to reduce and minimize the impact of improper payments by improving claims adjudication and compensation payment performance across the program, as well as providing claims examiner training that targets improved improper payment identification, processing and collection. Managers' performance standards address meeting quarterly performance measures, operational plan targets, and implementation of corrective plans to successfully resolve issues, missed targets, and audit findings pertaining to timely and accurate payments, reduction of improper payments, and collection and management of debt.

ETA has revised and expanded its training for grant managers and is currently implementing an expansion of its grant electronic management system (GEMS) to include all WIA grants. GEMS tracks the grant managers' grant review actions and provides the grant manager financial and other information useful in managing the grants. The ETA Division of Policy Review and Resolution has requirements in its closeout grant officer performance standards relating to the requirement to follow-up on Single Audit Act, OIG or GAO audit findings and questioned costs relating to WIA grants, and the Director of the Office of Grant and Contract Management has overall responsibility for ensuring that these procedures are followed.

VII. Information Systems and Infrastructure

Unemployment Insurance
ETA believes that in most cases the states have the information systems and infrastructure they need for improper payment reduction. States are implementing systems to exchange data with the NDNH and the Social Security Administration. Forty-eight states/areas are now using the NDNH; two other state agencies have signed the computer-matching agreement with HHS that is the prerequisite to connecting with the NDNH; and the remaining three states/areas are in the planning stage for implementing NDNH.

Federal Employees' Compensation Act
The Office of Worker's Compensation Programs (OWCP) has deployed an integrated FECA management information and compensation benefit system that will enhance both compensation payment accuracy and medical bill processing accuracy. The FY 2009 budget request for this system includes resources for enhanced tracking of improper payments that will improve the ability to analyze potential improper payments.

Workforce Investment Act
ETA currently has multiple technology projects underway in an effort to improve grants management. The WIA program utilizes these tools to execute the risk management process to assess and monitor grantees. They include the web-based EBSS (Enterprise Business Support System), with its GEMS (Grants e-Management Solution). EBSS is the Enterprise Business Support System, a web-based solution used to track and manage grants. A component of the EBSS is the automated grant cost reporting system that captures grant costs and obligations, which improves fiscal integrity. The combination of the two is part of the cradle-to-grave E-grants solution for the entire Department. The GEMS system, mentioned also in Section III of this appendix is an online grants management tool meant to provide web accessible, customizable, role based context access to grant related information from multiple sources. The utilization of the GEMS system by the Federal Project Officers and program management and financial staff allows ETA a more coordinated and comprehensive repository of grant specific information. A GEMS technology project has recently been undertaken to provide for a report writing module and the cataloging of the Core Monitoring Guide and supplements. This will allow ETA staff to customize and target their oversight efforts.

VIII. Statutory or Regulatory Barriers

Unemployment Insurance
The UI program has several statutory barriers to reducing improper payments. First, States administer the UI program and set operational priorities. The Department has limited authority to ensure they pursue improper payment reduction activities. Second, the "immediate deposit" requirement (Sec. 3304(a)(3), Federal Unemployment Tax Act (FUTA) and Sec 303(a)(4), Social Security Act (SSA)) and the "withdrawal standard" (Sec. 3304(a)(4), FUTA and Sec 303(a)(5), SSA) preclude the use of recovery auditing techniques and affect recovery efforts.

The "immediate deposit" requirement dictates that all employer contributions (unemployment taxes) must be paid immediately into the trust fund and the "withdrawal standard" says that money in the trust fund can only be used for UI benefits. There are certain exceptions to the "immediate deposit" requirement, but they do not apply to recouped benefit overpayments. These requirements preclude State UI agencies from using funds recovered from overpayments to be used for administrative or operational efforts to improve prevention, detection, and recovery efforts. In addition, Title IV-D of the SSA, which established the state and national directories of new hires for the purposes of locating individuals who were delinquent in paying child support, does not require employers to report the date of hire. Having this data greatly increases the efficiency of using crossmatches with the SDNH or NDNH to detect UI beneficiaries who continue to claim benefits despite having returned to work.

Elements of the Unemployment Compensation Integrity Act, transmitted to Congress on June 2, 2008, as a result of the President's 2009 budget request, would relax the barriers posed by the "immediate deposit" requirement and the "withdrawal standard" to provide additional funding for recovery and other integrity activities. It would permit states (a) to use up to 5 percent of all recovered overpayments to augment Benefit Payment Control (BPC) activities, (b) to use up to 25 percent of certain fraud overpayments recovered or delinquent contributions collected by a collection agency to be retained by that agency, and (c) to use up to 5 percent of delinquent tax collections to implement provisions of the law relating to employer fraud or tax evasion, such as the SUTA Dumping Prevention Act of 2004. It would also amend the SSA to require states to impose a penalty of at least 15 percent on fraudulent overpayments, and use the penalties to fund BPC activities. The Integrity Act would also prohibit states from non-charging employer accounts if the agency determined the employer's "fault" — e.g., a late, missing or incomplete response — caused an overpayment, and would allow the recovery of benefit overpayments, delinquent taxes, and associated unpaid penalties and interest by intercept of certain Federal income tax refunds. Finally, it would mandate that states require all employers to report the date of first earnings or "start work" date to the SDNH, and that the state transmit this information to the NDNH.

Federal Employees' Compensation Act
With regard to the FECA program, legislation does not currently permit FECA to verify employment earnings with the SSA without the claimant's written permission. Compensation benefits may be overpaid if an employee has unreported earnings and does not grant permission for the program to verify earnings with SSA. The 2009 Budget includes a proposal for legislative reform that would authorize regular database matching with SSA to identify unreported work earnings and receipt of Federal Employees' Retirement System (FERS) retirement benefits.

Workforce Investment Act
No statutory or regulatory barriers exist that limit WIA's ability to address and reduce improper payments. The WIA program has the legal authority to establish receivables and implement actions to collect those receivables.

IX. Additional Comments

The Department continues to consider the most appropriate ways to define reportable UI overpayments. The Operational Overpayment rate, in use since 2002, was defined to measure recoverable overpayments readily detected by normal agency operations for establishment and recovery. Although the total or "Annual Report" rate used in this report has the virtue of measuring the value of all payments that exceed what State law and policy prescribe, it may be excessively broad. It includes many "technical" overpayments (e.g., that may not involve any conscious act or omission on the part of claimants or employers). For example, complete and timely information for some UI claimants is not entered into the Employment Service (ES) database. Overpayments for these claimants, who are not considered to be "actively" registered with the ES database, accounted for approximately 0.9 percent of UI payments and nearly 10 percent of all overpayments in FY 2008. Other eligibility issues were detected after the period of time permitted by state law to establish an overpayment for recovery. About one-fourth of all UI overpayments are not subject to recovery, a typical criterion in other public programs. The Department also regularly monitors the fraud rate which is 2.6 percent of UI benefits paid in FY 2008.

Appendices

1. Acronyms

ACSI	American Customer Satisfaction Index
BLS	Bureau of Labor Statistics
CAM	Cost Analysis Manager
CFO	Chief Financial Officer
CY	Calendar Year
DOL	U.S. Department of Labor
DOLAR$	Department of Labor Accounting and Related Systems
DVOP	Disabled Veterans' Outreach Program
EBSA	Employee Benefits Security Administration
EEO	Equal Employment Opportunity
ERISA	Employee Retirement Income Security Act
ESA	Employment Standards Administration
ETA	Employment and Training Administration
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
FLSA	Fair Labor Standards Act
FMLA	Family Medical Leave Act
FTE	Full Time Equivalent
FUTA	Federal Unemployment Tax Act
FY	Fiscal Year
GAO	U.S. Government Accountability Office
GPRA	Government Performance and Results Act
GSA	General Services Administration
HVRP	Homeless Veterans' Reintegration Program
ILAB	Bureau of International Labor Affairs
IPIA	Improper Payments Information Act
IRS	Internal Revenue Service
IT	Information Technology
LMRDA	Labor-Management Reporting and Disclosure Act
LPD	Lost Production Days
LVER	Local Veterans' Employment Representative
MSHA	Mine Safety and Health Administration
OASAM	Office of the Assistant Secretary for Administration and Management
OASP	Office of the Assistant Secretary for Policy
OCFO	Office of the Chief Financial Officer
OCIA	Office of Congressional and Intergovernmental Affairs
ODEP	Office of Disability Employment Policy
OFCCP	Office of Federal Contract Compliance Programs
OIG	Office of Inspector General
OLMS	Office of Labor-Management Standards
OMB	Office of Management and Budget
OPA	Office of Public Affairs
OSHA	Occupational Safety and Health Administration
OWCP	Office of Workers' Compensation Programs
PART	Program Assessment Rating Tool
PBGC	Pension Benefit Guaranty Corporation
PMA	President's Management Agenda
PPI	Producer Price Index
PY	Program Year
SOL	Office of the Solicitor
SSA	Social Security Administration
SWA	State Workforce Agencies
TAA	Trade Adjustment Assistance
TAP	Transition Assistance Program
UI	Unemployment Insurance
USPS	U.S. Postal Service
UTF	Unemployment Trust Fund
VA	U.S. Department of Veterans Affairs
VETS	Veterans' Employment and Training Service
WB	Women's Bureau
WHD	Wage and Hour Division
WIA	Workforce Investment Act

2. Internet Links

Employment Information (For Workers and Employers)
America's Career InfoNet http://www.acinet.org/acinet/
Occupational Outlook Handbook http://www.bls.gov/oco/
Job Corps http://jobcorps.dol.gov/
DOL Jobs http://www.dol.gov/dol/jobs.htm
DisabilityInfo.gov http://www.disabilityinfo.gov/
Job Accommodation Network (JAN) http://www.jan.wvu.edu/
Employer Assistance & Recruiting Network (EARN) http://www.earnworks.com/
Women's Bureau GEM-Nursing Project http://www.gem-nursing.org/

Workplace Laws and Related Information
DOL Compliance Assistance http://www.dol.gov/compliance
Employment Laws Assistance for Workers and Small Businesses http://www.dol.gov/elaws/
State Labor Laws and Offices http://www.dol.gov/esa/contacts/state_of.htm
Minimum Wage Q&A http://www.dol.gov/esa/minwage/q-a.htm
Fair Labor Standards Act http://www.dol.gov/compliance/laws/comp-flsa.htm
Family & Medical Leave Act http://www.dol.gov/esa/whd/fmla/
Small Business Compliance Assistance http://www.dol.gov/osbp/sbrefa/
Union Reporting and Public Disclosure http://www.dol.gov/esa/regs/compliance/olms/rrlo/lmrda.htm

Statistical Information
Consumer Price Indexes http://www.bls.gov/cpi/
Bureau of Labor Statistics Most Requested Data http://www.bls.gov/data/
Current Population Survey http://www.bls.gov/cps/
Workplace Injury, Illness & Fatality Statistics http://www.osha.gov/oshstats/work.html
Employment Projections http://www.bls.gov/emp/
International comparisons http://www.bls.gov/fls/
Employment, Hours, and Earnings http://www.bls.gov/ces/

Safety and Health Information
OSHA's Partnership Page http://www.osha.gov/dcsp/partnerships/index.html
The Workers' Page http://www.osha.gov/as/opa/worker/index.html
OSHA Regulations and Compliance Links http://www.osha.gov/comp-links.html
OSHA Standard Industrial Classification (SIC) Search http://www.osha.gov/oshstats/sicser.html
OSHA Reading Room http://www.osha.gov/readingroom.html
MSHA's Accident Prevention Program http://www.msha.gov/Accident_Prevention/appmain.htm
Health Hazard Information (MSHA) http://www.msha.gov/hhicm.htm
MSHA's National Hazard Reporting Page http://www.msha.gov/codeaphone/codeaphonenew.htm

Labor Department History
History at the Dept of Labor http://www.dol.gov/oasam/programs/history/main.htm
Annals of the Dept of Labor http://www.dol.gov/oasam/programs/history/webannalspage.htm

Labor Agencies
Bureau of International Labor Affairs http://www.dol.gov/ilab/
Bureau of Labor Statistics http://www.bls.gov/
Employee Benefits Security Administration http://www.dol.gov/ebsa/
Employment Standards Administration http://www.dol.gov/esa/
Employment and Training Administration http://www.doleta.gov/
Mine Safety and Health Administration http://www.msha.gov/
Occupational Safety and Health Administration http://www.osha.gov/index.html
Office of Disability Employment Policy (ODEP) http://www.dol.gov/odep/
Veterans' Employment and Training Service http://www.dol.gov/vets/
Women's Bureau – A Voice for Working Women http://www.dol.gov/wb/

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