February 5, 2004

MEMORANDUM FOR: DOL EXECUTIVE STAFF

Elliot P. Lewis

FROM: ELLIOT P. LEWIS
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for Audit

SUBJECT: Office of Audit Workplan

Attached for your information is the Office of Audit Workplan for FY 2004. As always, our planning objective was to optimize the use of limited audit resources in fulfilling our responsibilities. Mandatory audits include the annual audit of the Department's financial statements as required by the *Chief Financial Officers Act* and IT security audits pursuant to the *Federal Information System Management Act.* Additionally, our responsibilities include carrying out a discretionary program of financial audits, performance audits, and evaluations consistent with our mission under the OIG's authorizing legislation, the *Inspector General Act*, as amended.

As part of the annual planning process, we solicited suggestions from senior-level Department of Labor (DOL) managers. We also considered such factors as DOL programs' dollar value, vulnerability to fraud, waste and abuse, and prior audit coverage.

For your convenience, I have also attached a summary highlighting major projects in the FY 2004 Workplan as well as major reports issued since the April 2003 Workplan including a draft report issued earlier this month.

If you have any questions, please do not hesitate to contact me on
(202) 693-5170.

Attachments

U. S. DEPARTMENT OF LABOR

OFFICE OF INSPECTOR GENERAL

Office of Audit
FY 2004 Workplan

FOREWORD

The Office of Inspector General (OIG), Office of Audit (OA), is pleased to present its Workplan for FY 2004.

A strong influence on the Workplan was OIG's strategic planning process, undertaken in accordance with the *Government Performance and Results Act*. OIG's Strategic Plan identifies five goals for the OIG as a whole: (1) Optimize the Use of Funds Appropriated for Training and Employment Programs; (2) Safeguard Workers' and Retirees' Benefit Programs; (3) Optimize the Use of Funds Appropriated for Worker Protection and Workplace Safety Programs; (4) Assist DOL in Maintaining an Effective Management Process; and (5) Combat the Influence of Organized Crime and Labor Racketeering in the Workplace. The Office of Audit considered the OIG goals in setting its agenda.

Suggestions of issues to which the Office of Audit might give attention in future activities are welcome. Please contact Elliot P. Lewis, Assistant Inspector General for Audit, at (202) 693-5170, or via e-mail at lewis.elliot@oig.dol.gov.

TABLE OF CONTENTS

Page

OFFICE ABBREVIATIONS i

INTRODUCTION ii

CHAPTER I

Mandatory Audits 1

Goal: Optimize the Use of Funds Appropriated for 1
Training and Employment Programs

Goal: Safeguard Workers' and Retirees' Benefit Programs 1

Goal: Assist DOL in Maintaining an Effective Management Process 2

CHAPTER II

Discretionary Projects 4

Goal: Optimize the Use of Funds Appropriated for 4
Training and Employment Programs

Goal: Safeguard Workers' and Retirees' Benefit Programs 8

Goal: Optimize the Use of Funds Appropriated for Worker 14
Protection and Workplace Safety Programs

Goal: Assist DOL in Maintaining an Effective Management Process 15

OFFICE ABBREVIATIONS

Atlanta	Atlanta Regional Audit Office
Chicago	Chicago Regional Audit Office
Dallas	Dallas Regional Audit Office
New York	New York Regional Audit Office
Philadelphia	Philadelphia Regional Audit Office
San Francisco	San Francisco Regional Audit Office
NAEO	National Audit and Evaluations Office
OAA	Office of Accountability Audits
OITA	Office of Information Technology Audits

INTRODUCTION

PURPOSE

The Office of Audit has prepared this Audit Workplan to inform departmental agencies of ongoing and planned projects.

MANDATORY V. DISCRETIONARY ACTIVITIES

Mandatory activities are those the Office of Audit is required to conduct. Activities carried out as a result of the Office of Audit's selection and prioritization process are referred to as discretionary.

Mandatory audits are conducted as required by Federal statute, regulation, or other authority. Our largest mandatory project is the yearly audit of the Department's annual consolidated financial statements as required by the *Chief Financial Officers Act*. The *Federal Information Security Management Act of 2002* requires the Inspector General to evaluate DOL's mission-critical information systems. We also have a regulatory mandate to perform triennial audits of Job Corps Centers and service providers.

Discretionary resources are those remaining after our mandatory activities are funded. Discretionary resources are used to support a program of financial and performance audits in accordance with our mission under the OIG's authorizing legislation, the *Inspector General Act of 1978*, as amended. Within our discretionary program, we reserve a portion of resources to perform audits and evaluations that result from special requests. Such special requests may come from the Secretary of Labor, Members of Congress or other sources. We also reserve resources to respond to allegations of fraud, waste and abuse the OIG receives from sources such as state and Federal program managers and private citizens. Requests from Congress and the Department are given special consideration as we prioritize where we will apply our resources.

As a result of budget cuts in recent years, the mandatory audit responsibilities described above are consuming proportionately more of the total resources allotted for the Office of Audit, with a corresponding reduction in dollars available for discretionary activities.

WORKPLAN ORGANIZATION AND OIG STRATEGIC GOALS

The Audit Workplan is organized by mandatory (Chapter 1) versus discretionary (Chapter 2) projects, which are further broken out by the OIG strategic goals to which they relate.

The OIG Strategic Goals covered by this Workplan are:

> ***OPTIMIZE THE USE OF FUNDS APPROPRIATED FOR TRAINING AND EMPLOYMENT PROGRAMS*** encompasses the Workforce Investment Act, Welfare-to-Work, the Employment Service, foreign labor certification, labor statistics, and Community Service Employment for Older Americans.

SAFEGUARD WORKERS' AND RETIREES' BENEFIT PROGRAMS involves Unemployment Insurance, Federal Workers' Compensation, Trade Readjustment Allowances, and pension and welfare benefits programs.

OPTIMIZE THE USE OF FUNDS APPROPRIATED FOR WORKER PROTECTION AND WORKPLACE SAFETY PROGRAMS includes the enforcement of laws, regulations and Executive Orders related to occupational and mine safety and health, wages and hours, labor union reporting and disclosure, and affirmative action by Federal contractors and subcontractors.

ASSIST DOL IN MAINTAINING AN EFFECTIVE MANAGEMENT PROCESS includes management and support functions such as financial management, procurement, information technology, performance measures, administration, legal affairs, and policy.

The fifth goal, *Combat the Influence of Organized Crime and Labor Racketeering in the Workplace*, is covered by the OIG's Office of Labor Racketeering and Fraud Investigations.

SURVEYS, AUDITS, AND EVALUATIONS

A goal of OA's planning process is to ensure OA resources are used effectively. To accomplish this, special request and discretionary projects usually start with a survey to determine if an audit or evaluation should be performed.

A **survey** is an educational process through which a broadly stated issue area is methodically reviewed for purposes of identifying programs, functions, activities, or processes that would benefit from audit or evaluation. Surveys may employ vulnerability assessments, risk rankings, or similar approaches to determine those areas that offer the greatest opportunity for improvements in economy, efficiency, effectiveness, or compliance. At the completion of the survey phase, the Assistant Inspector General for Audit will decide whether an audit or evaluation is warranted, at which point a detailed audit or evaluation plan and procedures will be prepared.

An **audit** is a systematic series of procedures and tests related to the specific objectives and scope of the assignment. Audits may include analyzing and verifying records and files, as well as obtaining information through interviews, questionnaires, and physical observations and inspections. OIG audits are performed in accordance with *Government Auditing Standards* issued by the Comptroller General.

An **evaluation,** which is usually more limited than an audit, is designed to assess or answer questions about a specific aspect of a program, activity or function. Evaluations may be conducted in accordance with either *Government Auditing Standards* or the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

PROJECT SUMMARIES

The Workplan describes planned work as well as ongoing projects. For mandatory audits, project summaries include a description of the audit, the assigned OIG audit office, and planned start and completion dates. Discretionary project summaries describe the activity and objectives, list the assigned office, indicate whether the project has been approved for the survey or

audit/evaluation phase, and show anticipated start and completion dates. Because surveys may or may not proceed to audit or evaluation, depending on their results, it is often difficult to predict their completion dates. Accordingly, projects in the survey phase will usually indicate an anticipated completion date of “TBD” (to be determined).

CHAPTER 1
MANDATORY AUDITS

By far, our largest mandatory activity is the annual audit of the Department's financial statements as required by the *Chief Financial Officers Act of 1990* (CFO Act) and the *Government Management Reform Act*. The results of this major audit, along with the Inspector General's required statement on the most serious financial and performance challenges facing the Department, are presented in the Department's Annual Report on Performance and Accountability in accordance with the *Reports Consolidation Act of 2000.*

The OIG also is required to audit certain key information systems of the Department. The *Federal Information Security Management Act of 2002* requires the Inspector General to evaluate DOL's mission-critical information systems. Also, the Department of Labor (DOL) Cyber Security Program Plan requires the OIG to perform security testing and evaluations of DOL's major information systems.

Finally, as required by departmental regulations, the OIG conducts triennial audits of Job Corps contractors and service providers.

GOAL: OPTIMIZE THE USE OF FUNDS APPROPRIATED FOR TRAINING AND EMPLOYMENT PROGRAMS

Job Corps Center Audits

Office: Philadelphia Phase: Audit Start: Ongoing Completion: Various

The OIG will audit selected Job Corps Centers to determine if costs claimed for these Job Corps Centers are in compliance with laws and regulations. These audits are being undertaken in accordance with DOL regulations that require the OIG to conduct audits of Job Corps Centers and service providers every 3 years.

GOAL: SAFEGUARD WORKERS' AND RETIREES' BENEFIT PROGRAMS

Longshore & DC Compensation Act Trust Fund Financial Statement Audits

Office: OAA Phase: Audit Start: 1/04 Completion: 12/04

The *Longshore and Harbor Workers' Compensation Act* requires the OIG to annually audit the financial statements of the U.S. Department of Labor Longshore and Harbor Workers' Compensation Act Special Fund and the District of Columbia (DC) Workmen's Compensation Act Special Fund. The OIG will audit the two funds' financial statements for the current year in accordance with generally accepted auditing standards and *Government Auditing Standards*. Planning for next year's audit will start immediately following the issuance of the current year report.

Federal Employees' Compensation Act (FECA) Special Benefit Fund

Office: OAA Phase: Audit Start: 1/04 Completion: 10/04

The Employment Standards Administration, Office of Workers' Compensation Programs (OWCP) administers the FECA Special Benefit Fund, which the OIG is responsible for auditing. This special report, which will be prepared to assist Federal agencies in the audit of their annual financial statements, pursuant to the *Chief Financial Officers Act (CFO Act)*, encompasses three separate reports: (1) an opinion on the total actuarial liability, and the net intra-governmental accounts receivable and the total benefit expense made by the Fund on behalf of the employing agencies for the year then ended; (2) an agreed-upon procedures report on the schedule of actuarial liability, and net intra-governmental accounts receivable and benefit expense by agency; and (3) a service provider report on the policies and procedures placed in operation and tests of the operating effectiveness of OWCP. Planning for next year's audit will start immediately following the issuance of the current year report.

GOAL: ASSIST DOL IN MAINTAINING AN EFFECTIVE MANAGEMENT PROCESS

DOL Consolidated Financial Statement Audit

Office: OAA Phase: Audit Start: 1/04 Completion: 11/04

As required by the *Chief Financial Officers Act of 1990* (P.L. 101-576), the objective of this yearly audit project is to render an opinion on the U.S. Department of Labor consolidated financial statements for the current year in accordance with the generally accepted auditing standards, *Government Auditing Standards*, and OMB guidance. We will also assess performance measures systems for risks that could result in material misstatements of the performance measure assertions of existence or occurrence and completeness. Planning for next year's audit will start immediately following the issuance of the current year report.

Single Audit Compliance

Office: OAA Phase: Audit Start: Ongoing Completion: Various

As required by the *Single Audit Act Amendments of 1996* and *OMB Circular A-133*, we conduct Quality Control Reviews (QCRs) of single audit workpapers and reports and conduct desk reviews of all single audit reports issued to DOL grantees that are directed to us for review by the Federal Audit Clearinghouse. The objectives of the QCRs are to: (1) determine that the audit was conducted according to applicable standards and met the single audit requirements; (2) identify the need for any follow-up audit work; and (3) report issues that may require management's attention. The objectives of the desk reviews are to: (1) determine if the Independent Auditor's report, Schedule of Findings and Questioned Costs, Schedule of Expenditures of Federal awards and corrective action plan are acceptable; (2) identify issues that require follow-up audit work; (3) determine if a QCR should be done; and (4) determine if the

issues identified in the report should be brought to the attention of the appropriate DOL funding agency or agencies. Where desk reviews identify problems, we issue reports to the DOL funding agency or agencies. Single audit quality control work is ongoing throughout the fiscal year.

General, Application and Security Controls Review of DOL Financial Systems

Office: OITA Phase: Audit Start: 1/04 Completion: 10/04

In support of our audit of the DOL consolidated financial statements, we will determine if the information produced by selected DOL financial systems is reliable by assessing the Information Technology (IT) general, application and security controls of selected financial systems. We will accomplish this principally through a risk-based audit of the IT general, application and security controls of selected financial systems in compliance with the General Accounting Office's (GAO) Federal Information System Controls Audit Manual (FISCAM). Based on this review, we will conclude as to whether security, general and application controls for selected financial systems are properly designed and operating effectively.

People Power Application Controls

Office: OITA Phase: Audit Start: 11/03 Completion: 3/04

Background: The IG is mandated to perform application controls audits of financial systems in accordance with OMB Bulletin No. 01-02, Audit Requirements for Federal Financial Statements. DOL's PeoplePower is a critical DOL financial system. PeoplePower is DOL's Human Resources Management System "system of record" and consists of multi-operational components. Since 2002, all paychecks for DOL employees have been generated from PeoplePower. DOL relies on the system to calculate and report compensation, deductions, and other benefits; such as overtime, holidays, vacation, sick, and other benefits. A prior OIG assessment of the system identified weaknesses in the following areas: access rights, disaster recovery plan, certification and accreditation, security controls, and segregation of duties.

FISMA Audits of DOL Mission-Critical Information Systems

Office: OITA Phase: Audit Start: 1/04 Completion: 2/05

The *Federal Information Security Management Act of 2002 (FISMA)* requires Inspectors General to audit the information systems of their respective departments or agencies. The Department identified 82 FISMA covered information systems. The OIG will prioritize the DOL' systems, based on risk and perform FISMA audits to determine the adequacy of selected systems' security programs, controls, practices and conclude on the overall effectiveness of the Department's security program.

CHAPTER 2
DISCRETIONARY PROJECTS

GOAL: OPTIMIZE THE USE OF FUNDS APPROPRIATED FOR TRAINING AND EMPLOYMENT PROGRAMS

One-Stop Customer Service

Office: Dallas Phase: Audit Start: 2/04 Completion: 12/04

Background: The *Workforce Investment Act* (WIA) requires each local workforce investment area to establish a One-Stop system for the delivery of certain Federal workforce development services. Entities responsible for the administration of separate Federal workforce investment, educational, and other human resource programs and funding streams (referred to as One-Stop partners) are to collaborate to create a seamless delivery system that will enhance access to services and improve employment outcomes for individuals receiving services. The system must include at least one physical center that provides comprehensive core services and access to the other activities carried out by the partners. Additional centers, a network of affiliated sites, technological and physical linkages may supplement the comprehensive center and specialized centers.

Objective/Key Questions: Are elements (organizational structure, integrated MIS systems, Memoranda of Understanding) in place to provide seamless service delivery? What populations are the One-Stops primarily serving?

Implementation of WIA Waivers and Work-Flex

Office: Chicago Phase: Survey Start: 10/03 Completion: TBD

Background: The *Workforce Investment Act (WIA)* provides states and local workforce investment areas (local areas) with increased flexibility to improve their workforce investment systems by giving the Secretary authority to grant waivers for several statutory and regulatory provisions, when requested by a Governor. States may also apply for WIA Work-Flex authority. Under Work-Flex, the Secretary delegates a portion of her waiver authority to the Governor. WIA Waivers and Work-Flex give states and local areas opportunities to design and implement One-Stop systems that respond to unique labor market conditions. To date, 33 states and the Commonwealth of Puerto Rico have been granted WIA waivers, but no Work-Flex waivers have been approved.

Objective/Key Questions: Is the process for reviewing and deciding on waivers timely? Are the waivers to states and local Workforce Investment Boards (WIBs) to promote flexibility resulting in better performance outcomes? Why are states not requesting Work-Flex authority?

Incumbent Workers Under WIA

Office: Atlanta Phase: Survey Start: 2/04 Completion: TBD

Background:

Training for incumbent workers is specifically authorized as a Statewide Workforce Investment Activity under the *Workforce Investment Act (WIA*). States may spend up to 15 percent of WIA Title I-B funds for a variety of statewide activities, including incumbent worker training. Incumbent worker training is developed with an employer or employer association to upgrade skills of a particular workforce. This program is relatively new. According to a National Governors' Association survey, 16 states used a portion of their 15 percent funds for state incumbent worker training programs.

Objective/Key Question: How effective are WIA services to incumbent workers? Have workers increased their earnings and upgraded their skills as a result of program participation?

WIA Demonstration Grant Program Effectiveness

Office: Dallas Phase: Survey Start: 9/04 Completion: TBD

Background: ETA awards millions of dollars each year for demonstration grant programs. These grants are designed to identify ways ETA can improve programs it administers. Demonstration grants do not have many restrictions or requirements.

Objective/Key Questions: For what types of services and programs has ETA issued demonstration grants? What was the outcome of these grants? How has ETA used the results of such demonstration grants?

Recouping Unclaimed JTPA and WIA Participant Funds

Office: NAEO Phase: Survey Start: 8/03 Completion: TBD

Background: Some participants in DOL funded programs do not collect funds due them. For Job Training Partnership Act (JTPA) and the Workforce Investment Act (WIA) programs, ETA directs grantees to aggressively attempt to provide the participants the funds owed them. If attempts fail, grantees are to follow applicable state or local escheat laws.

Objective/Key Questions: Are program operators making sufficient efforts to contact participants and others owed funds? Are grantees following applicable state or local laws in the treatment of unclaimed funds?

Round 3 Youth Offender Demonstration Grant Program: Efforts to Enroll and Help Participants Complete Skills Training

Office: New York Phase: Survey Start: 6/04 Completion: TBD

Background: Since 1998, ETA has awarded nearly $60 million in grants under the Youth Offender Demonstration Grant Program to assist youth, ages 14-24, who are returning from

prison and youth at risk of court or gang involvement. The program provides participants with education, training and other services to help them secure employment, and avoid re-arrest and incarceration. However, the OIG's 2002 study of services and outcomes for the Round One Youth Offender Demonstration Grant Program recommended that ETA develop and implement a strategy for ensuring that the types, duration and intensity of services offered to participants help them to succeed in the program. Current grantees are expected to provide training to prepare participants for employment in fields in which technology skills are critical aspects of the jobs emerging in the regional labor market.

Objective/Key Questions: How effective is the Youth Offender Demonstration Grant Program in preparing participants for jobs involving technology skills? What types of services and training do participants receive? What are the outcomes?

Job Corps Performance Measures

Office: San Francisco Phase: Survey Start: 9/03 Completion: TBD

Background: Job Corps contracts out a majority of its services, including outreach/admissions, center operations, and career transition services or placement. Most of these contracts are performance-based cost reimbursement contracts, in which some costs are paid but a percentage is withheld until negotiated outcomes are demonstrated. Job Corps judges performance against established program performance measures. Contractors have the opportunity for three 1-year government unilateral options for extension after the base 2 years, depending on performance and other factors.

Objective/Key Questions: Are reports on Job Corps performance measures, which are the basis for contract payments and the government's exercise of option years, accurate and reliable?

Job Corps Student Assessment

Office: San Francisco Phase: Survey Start: 9/03 Completion: TBD

Background: Approximately 80 percent of Job Corps students have dropped out of high school, and the majority of students have never been employed full-time. Despite a comprehensive, 5-week assessment process that covers basic education as well as vocational abilities and interests, close to 18 percent of all new Job Corps students leave during the first 60 days of enrollment. Some Job Corps Center staff estimate that 60 to 70 percent of those entering the program have some form of a disability. Centers do not have full time staff dedicated to working with these students. Identifying special needs and disabilities upon entering the Job Corps program is critical for retention. However, due to the lack of a formal education and socialization, most students are unable to independently identify special needs that should be addressed in order to help them complete of the Job Corps program.

Objective/Key Questions: Does Job Corps staff have the specialized ability to properly assess prospective students' special needs or unidentified disabilities? What does the initial assessment of the prospective Job Corps student cover? Does providing students with special needs increase their retention in the program?

Employment and Training Administration (ETA) Grant Accountability

Office: NAEO Phase: Survey Start: 2/04 Completion: TBD

Background: In response to past OIG audits, ETA launched an effort to improve grant accountability and asked OIG for assistance in developing a plan to improve ETA's grant administration. OIG's Office of Audit staff met with ETA to share perspectives on grant management weaknesses, and helped ETA identify strategies for improving operations. ETA developed a report outlining concerns and strategies for improving ETA grant administration. In April 2003, ETA issued instructions to its national and regional offices staff specifying roles and responsibilities for various phases of grant administration.

Objective/Key Questions: What progress has ETA made in improving the administration of grants?

Implementation of Data Validation for Employment and Training Programs

Office: Philadelphia Phase: Survey Start: 5/04 Completion: TBD

Background: To address concerns about the accuracy of state-reported performance data, ETA developed a data validation process for its employment and training programs and required states to begin validating data for WIA Title 1B, TAA and Labor Exchange by the end of FY 2003. ETA's data validation initiative covers both the accuracy of aggregate reports submitted to ETA on program activity and performance outcomes, and the accuracy of individual data elements.

Objective/Key Question: What types of problems are early implementing states facing? Are there state best practices that can be helpful to other states? Do states have sufficient resources to implement data validation?

GOAL: SAFEGUARD WORKERS' AND RETIREES' BENEFIT PROGRAMS

Use and Effectiveness of New Hire Detection Procedures in Preventing and Detecting UI Overpayments

Office: Chicago Phase: Audit Start: 11/02 Completion: 3/04

Background: The OIG's March 1999 audit report on the Unemployment Insurance Benefit/Wage Crossmatch discussed the potential benefits of using data on new hires reported by employers pursuant to the *Personal Responsibility and Work Opportunity Act of 1996*. The OIG concluded the New Hire detection method had the potential to be a more effective detection method than the UI Benefit/Wage Crossmatch. A recent report by the General Accounting Office (GAO) found that a number of states still did not use the New Hire database, despite GAO's estimate that millions of dollars in overpayments could be prevented or detected with the help of New Hire detection programs in the states.

Objective/Key Questions: Is the use of New Hire data proving to be more effective and efficient than the traditional Benefit/Wage crossmatch in identifying UI overpayments? Are there obstacles preventing some states from embracing this detection method?

Effectiveness of the Unemployment Insurance Experience Rating System

Office: Atlanta Phase: Audit Start: 2/04 Completion: 9/04

Background: Since 1935, an experience-rated state tax system has been a mandatory state "conformity" requirement of the U.S. Unemployment Insurance (UI) system. Variable unemployment tax rates are established for employers, somewhat like car insurance companies establish rates based on the risks posed by drivers. If an employer experiences a large number of claims, the unemployment tax rate it pays is higher than an employer with modest claims. The primary purposes of experience rating are to (1) encourage participation by employers in the UI system; (2) ensure a fair distribution of the cost of the UI system; and (3) encourage employers to stabilize their work forces. However, a variety of indicators suggest the experience rating system is not providing the participation, equity or stabilization envisioned in the *Social Security Act*. For example, research indicates that nearly 20 percent of benefits nationwide cannot be charged back to employers because the employer is already at the maximum tax rate.

Objective/Key Questions: Do states have procedures and controls in place to measure the effect of state UI experience rating systems? Do the states have procedures to reconcile experience rated activities and functions with state Unemployment Trust Fund (UTF) accounts? Do state experience rating activities encourage employer participation in the UI system? Are state reports submitted to ETA based on relevant and accurate information on state experience rating systems?

Unemployment Insurance Solvency Rate Measurement

Office: Philadelphia Phase: Survey Start: 7/04 Completion: TBD

Background: UI benefits are generally financed from state-collected employer payroll taxes, which are set aside in a trust fund for each state. As a counter-cyclical program, UI trust fund

reserves are built up when the economy is healthy so that funds will be available to pay UI claims during economic downturns without raising payroll taxes. ETA recommends that states use a solvency test called the average high cost multiple (AHCM). To satisfy the AHCM, states must keep sufficient reserves in their UI trust funds to cover benefits for the 3 highest-cost years during the past 20 years or past 3 business cycles, whichever is longer. As of September 30, 2003, 32, out of 53 State Workforce Agencies (SWAs) did not meet the AHCM test.

Objective/Key Questions: Are there other useful measures of UTF solvency that ETA should be using? Are states using the best methods to ensure solvency, so that funds are available to pay benefits for the unemployed? Should the states have trigger mechanisms in place, such as indexed benefits, in order to respond quickly to economic downturns?

ETA Inventory of SWA Real Property

Office: Dallas Phase: Audit Start: 1/03 Completion: 3/04

Background: A 1997 OIG report found ETA had been inconsistent in managing the Department's equity in real properties owned by State Workforce Agencies (SWAs) (formerly State Employment Security Agencies, or SESAs). In addition, we found ETA's real property inventory did not reflect significant capital improvements, acquisitions, and dispositions that occurred since the inventory was established in 1988. ETA agreed to accept the OIG's 1997 inventory as its baseline to begin keeping the inventory current.

Objective/Key Questions: Is ETA's inventory current? Have the SWAs properly updated the Federal equity in their SWA-owned real properties? Have they properly accounted for the disposition and any proceeds related to properties removed from the OIG's 1997 inventory?

Effectiveness of SWAs' Use of Form 1099 Data

Office: Philadelphia Phase: Audit Start: 10/03 Completion: 9/04

Background: Our March 1999 audit report, *Adopting Best Practices Can Improve Identification of Noncompliant Employers for State UI Field Audits*, recommended ETA work with the Internal Revenue Service (IRS) to provide State Workforce Agencies (SWAs) access to IRS Form 1099, (Miscellaneous Income Data), and to develop a software program to analyze IRS Form 1099 information for the SWAs. Since that time, we have been working with ETA and the IRS to develop mechanisms for the SWAs to access IRS Form 1099 information in order to improve the effectiveness of their unemployment insurance tax audit programs. To date, 19 SWAs have requested 1099 extract data from the IRS, and, of those, 6 are actively using the data and reporting results.

Objective/Key Questions: Why are more states not using 1099 data in their UI tax audit operations? What best practices are in use by the six states with active programs that can be shared with other states? What monetary results have been realized by the states making active use of the data?

Florida Disaster Unemployment Assistance (DUA) Payments

Office: Atlanta Phase: Audit Start 5/03 Completion: 2/04

Background: A recent monitoring review completed by the Employment and Training Administration (ETA) found a variety of problems with DUA payments made by Florida following a severe freeze in 2001. However, ETA did not quantify the amount of misspent funds. Federal Emergency Management Agency Region IV officials asked us to review the Florida DUA payments.

Objective/Key Question: Has Florida misspent DUA funds?

Validity of Applications Filed during the Permanent Foreign Labor Amnesty Period

Office: Dallas Phase: Audit Start: 10/03 Completion: 3/04

Background: As a result of the amnesty provisions of the 2000 Immigration Reform legislation, there was a dramatic surge in the number of Permanent Foreign Labor Certifications filed during the amnesty period January through April 2001. To date, ETA has not been able to clear the backlog created during that period. Additionally, both ETA and the Department of Justice fear there may be an extraordinarily high number of questionable applications contained in the backlog. The pressure to clear the backlog has forced ETA to consider new processes that will eliminate some of the scrutiny that the applications have previously undergone. This streamlining of the process may allow a higher number of incomplete or misrepresented applications to become approved.

Objective/Key Questions: Are the amnesty period applications incomplete and/or misrepresented?

North Carolina Growers' Association H-2A Program

Office: Atlanta Phase: Audit Start: 4/02 Completion: 2/04

Background: The H-2A program allows agricultural employers who are unable to recruit U.S. workers an opportunity to recruit and employ nonimmigrant alien workers for a limited duration. The program is designed to ensure that employers adequately recruit U.S. workers prior to being certified eligible for alien workers, and it ensures that any worker hired under the program—whether foreign or domestic—is guaranteed certain wages and benefits. Proper operation of this program is necessary for the protection of U.S. workers' rights to employment, the alien workers' rights as to wages and working conditions, and the safeguarding of national security by not allowing excessive foreign worker certifications and reducing alien worker abandonments caused by employer abuses. Our audit covers the North Carolina Growers Association (NCGA), which is the largest association of H-2A growers.

Objective/Key Questions: Is NCGA complying with program requirements? At what rate are workers abandoning NCGA worksites? What are the root causes for such abandonments? What NCGA policies and procedures, if any, contribute to the abandonment rate? What is the

financial impact on H-2A workers who abandon their NCGA employers prior to contract completion?

FECA (OWCP) - Customer Service

Office: New York Phase: Evaluation Start: 4/03 Completion: 3/04

Background: Over the past few years, the OIG has received hotline complaints from a number of different sources alleging poor customer service by employees of the Office of Workers' Compensation Programs (OWCP), which administers the *Federal Employees' Compensation Act* (FECA) program. The Inspector General also has appeared at Congressional subcommittee hearings on the subject of FECA customer service.

Objective/Key Questions: What are the magnitude and nature of customer service complaints or inquiries by claimants, Congressional representatives, physicians, attorneys, employing agencies and service providers? How does OWCP respond to FECA complaints or inquiries? How useful are customer surveys? Are there a disproportionate number of complaints for a particular regional office? Are DOL claimants treated fairly?

Review of Pharmacy Acquisition Cost for Drugs Reimbursed under FECA and Black Lung

Office: New York Phase: Survey Start: 7/04 Completion: TBD

Background: In fiscal year 2001, $677 million was spent on medical benefits for the FECA and Black Lung programs. In February 2002, the Department of Health and Human Services (HHS) reported on its nationwide review of pharmacy acquisition costs for drugs reimbursed under the Medicaid program. HHS reported that national estimates for the overall Medicaid discount below the average wholesale price (AWP) for the retail invoice prices HHS reviewed was nearly 22 percent for brand name drugs and nearly 66 percent for generic drugs.

Objective/Key Question: Are the FECA and Black Lung programs overpaying for prescription drugs?

EBSA Oversight and Monitoring of Deficient Plan Audits

Office: San Francisco Phase: Audit Start: 10/02 Completion: 9/04

Background: DOL's Employee Benefits Security Administration (EBSA) is responsible for the administration and enforcement of Title I of the *Employee Retirement Income Security Act of 1974* (ERISA). ERISA Section 103 (a)(3)(A) requires plans with more than 100 participants to obtain an audit of their financial statements. The audit must be performed by a qualified independent public accountant (IPA) and must conform to generally accepted auditing standards. EBSA's Office of the Chief Accountant is responsible for enforcing the auditing provisions of Title I of ERISA, including reviewing the sufficiency of employee benefit plan audits conducted by IPAs. Where auditing deficiencies are found, EBSA refers IPAs to state licensing boards and professional organizations for action.

Objective/Key Questions: Is EBSA's monitoring and oversight of plan audits adequate? Does EBSA adequately follow up on referrals of IPAs to state licensing boards and professional

auditing organizations? Does EBSA's oversight have a positive effect on the quality of subsequent audits performed by IPAs that did deficient work?

EFAST Operations and Accuracy

Office: San Francisco Phase: Survey Start: 9/03 Completion: TBD

Background: Employee benefit plans are required to file an annual report consisting of an IRS Form 5500 and numerous schedules, all of which provide information about the plan. DOL has developed the ERISA Filing and Acceptance System (EFAST), a state-of-the-art process, to handle the form 5500s. DOL spent over $30 million developing EFAST. The system annually processes over 1.5 million electronic or paper filings using the latest scanning technology. EFAST is physically located in Lawrence, Kansas. The ERISA database is used by all three ERISA-related agencies. EBSA specifically uses the database for enforcement targeting, statistical research and analysis, trend analysis and other high-level policy and regulatory purposes. The accuracy of the system directly affects the quality of the oversight and policy making.

Objective/Key Questions: What is the overall effectiveness and efficiency of the EFAST Form 5500 filing process, and how accurate is the information produced by EFAST?

Trade Adjustment Assistance/Trade Health Insurance Assistance

Office: New York Phase: Survey Start: 2/04 Completion: TBD

Background: Title II of the *Trade Adjustment Assistance Reform Act of 2002* establishes the Trade Adjustment Assistance (TAA) Health Insurance Assistance demonstration project. This project uses a tax credit and WIA National Emergency Grants (NEGs) to help eligible TAA participants cover the costs of health insurance.

Objective/Key Question: Does the Trade Health Insurance Assistance demonstration project effectively decrease the number of uninsured TAA participants? Does the demonstration project result in higher numbers of participants completing retraining and/or finding placements in non-trade affected jobs?

Employment and Reemployment Rights for Uniformed Services Members

Office: Chicago Phase: Survey Start: 3/04 Completion: TBD

Background: The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), administered by DOL's Veterans' Employment and Training Services (VETS), requires employers to rehire returning reservists and provide them with the rights and benefits they would have attained if they had remained continuously employed. Returning reservists can file a complaint with the DOL if an employer fails to comply with the USERRA. DOL opens an average of 900 cases each year on behalf of reservists, but the number of cases has been increasing since September 11, 2001, with 1,200 in 2002 and 1,300 in 2003. As mobilizations continue and deployments are extended, the potential for employer noncompliance could increase. A significant increase in employee complaints and employer noncompliance could drain, or even overwhelm, VETS resources. If cases are not handled and resolved expeditiously,

returning veterans could be denied employment and related benefits, including income, medical insurance, and future pension benefits.

Objective/Key Question: Are VETS outreach efforts effectively reducing USERRA non-compliance and violations? Is VETS investigating and resolving complaints and violations in a timely manner?

Health Plans: EBSA Compliance Assistance, Oversight, and Monitoring

Office: San Francisco Phase: Survey Start: 7/04 Completion: TBD

Background: Recent health care reform legislation, such as the *Health Insurance Portability and Accountability Act* (HIPPA), has added new provisions to several Federal laws, including the the *Employee Retirement Income Security Act* (ERISA) that the Employee Benefits Security Administration (EBSA) has responsibility to oversee. Examples of specific regulations assure that workers receive certification of prior benefit coverage so that pre-existing conditions are covered by new employers and insurers. Within EBSA, four offices play a role in monitoring programs and services related to private employer-sponsored group health plans. In response to health care reform, EBSA has issued new publications targeted to help group health plan administrators and health insurers comply with the new laws, especially *HIPPA*. EBSA has also expanded its web site to include health law material and information on compliance workshops around the country.

Objective/Key Questions: Does EBSA provide adequate assistance, oversight and monitoring to ensure the delivery of sound employer health plans? Do EBSA's various offices that administer programs and services related to private employer-sponsored health plans effectively and efficiently coordinate their efforts?

GOAL: OPTIMIZE THE USE OF FUNDS APPROPRIATED FOR WORKER PROTECTION AND WORKPLACE SAFETY PROGRAMS

MSHA

Office: NAEO Phase: Audit Start: 2/03 Completion: 3/04

Background: We have received several hotline complaints alleging irregularities involving MSHA procurements, travel and human resources.

Objective/Key Question: Is there validity to the allegations of irregularities in these administrative areas?

Job Corps – Safe and Secure Environment

Office: San Francisco Phase: Survey Start: 9/04 Completion: TBD

Background: Job Corps officials and others have voiced concern for the safety of its students and employees as a result of recent incidents due to improperly maintained buildings and grounds. Early in 2003, a roof collapsed under the weight of packed snow, killing one student and injuring four others. Another Job Corps building was damaged when a tree fell as a result of strong winds. A recent hotline complaint alleged that Job Corps students were living in buildings with no windows, a potential fire safety hazard. The proposed audit will follow up on corrective actions that OIG recommended in March of 1997 after an audit found weaknesses in Job Corps' safety program. An OIG audit in 2000 showed that Job Corps had made limited progress implementing the corrective actions and reducing accidents and injuries.

Objective/Key Questions: How effective is Job Corps' oversight of the safety of its facilities at Job Corps Centers throughout the country? Does Job Corps have adequate controls to ensure that Center grounds and buildings provide students and employees a safe environment for learning, working and living?

IMIS Data Validity

Office: Chicago Phase: Survey Start: 07/04 Completion: TBD

Background: OSHA relies on performance data generated internally, as well as from external sources, such as employers, and State Plan States, to measure program performance. The Integrated Management Information System (IMIS) is one of two systems that OSHA uses to accumulate this data. IMIS contains information from more than 2.5 million OSHA workplace inspections since 1971 and information from almost 500,000 consultation visits since 1974. The reliability (i.e., accuracy and completeness) of IMIS data is critical for OSHA to properly establish baseline performance levels, evaluate current performance, set goals for future performance, and contribute to DOL's annual reporting under the Government Performance and Results Act (GPRA).

Objective/Key Questions: Is OSHA entering data into IMIS accurately and timely? Has OSHA established adequate procedures to validate consultation and inspection data received at both the Federal and State Plan State levels?

GOAL: ASSIST DOL IN MAINTAINING AN EFFECTIVE MANAGEMENT PROCESS

Department of Labor Payroll and Automated Timekeeping Systems

Office: OAA & OITA Phase: Survey Start: 2/03 Completion: 2/04

In August 2002, the DOL implemented a new web-based employee time and attendance application, PeopleTime, and a new payroll system, PeoplePower. PeoplePower is fully integrated with the Department's Human Resources systems.

Objective/ Key Questions: Are the new time and attendance and payroll systems reliable and adequate? Does the PeopleTime application accurately record employees' accumulated time and attendance? Is information from PeopleTime accurately recorded in PeoplePower? Does the PeoplePower system correctly reflect employees' leave balances?

Single Audit Initiative

Office: OAA Phase: Audit Start: Ongoing Completion: 2/04

Background: OIG's annual audits of the DOL financial statements have covered DOL operations at the Federal level only. However, a substantial amount of DOL funding is spent below the Federal level by recipients and subrecipients, many of which are subject to the *Single Audit Act*, as amended.

Objective/Key Questions: How can DOL OIG in conjunction with OMB and other Federal Agencies develop an effective government-wide sampling approach for conducting quality control reviews of audits of Federal grants subject to the *Single Audit Act?*

Data Analysis (Data Mining) to Promote DOL Program Integrity and Effectiveness

Office: OITA Phase: Audit Start: 11/03 Completion: 9/04

Background: The Department of Labor (DOL) collects large amounts of data dealing with grants, employment (statistics and laws), and workplace safety. "Data mining" describes using technology (including database exploration) and defined criteria to sort through these data to extract specific information to identify patterns of interest to users, including workers and the business community. Data mining provides a tool to improve government performance and help assess the strength of the U.S. economy. Prior audits have identified poor data collection and data unreliability. However, the OIG has never directly examined all possible DOL data collection to analyze the information for patterns, trends, and anomalies.

Objective/Key Question: Can the data collected by the DOL be used to identify patterns of interest that would lead to identifying cost inefficiencies, data anomalies, and fraud, waste, and abuse?

The Effectiveness of Information Technology (IT) Governance

Office: OITA Phase: Audit Start: 4/04 Completion: TBD

Background: The Department of Labor's (DOL) Chief Information Officer (CIO) is responsible for promoting better use of information and related information technology (IT) throughout the Department, including managing about $.5 billion in IT spending. The CIO must report to Congress the net program performance benefits achieved in information systems and how the benefits are related to accomplishing the Department's goals. In addition, the CIO is to keep Congress informed on the extent to which executive agencies are improving agency performance and provide information on the related accomplishments. A previous OIG review identified three major weaknesses, which may lead to potential misuse of sensitive information on DOL systems; compromise of system integrity; and poor password access to the system.

Objective/Key Question: Has the Department adequately implemented the requirements of the *Clinger-Cohen Act* of 1996 and OMB Circular A-123 to optimize the management of Department's IT investments?

System Development Life Cycle Management (SDLCM)

Office: OITA Phase: Audit Start: 11/03 Completion: 9/04

Background: The Information Systems life cycle review process ensures that all products created during the life cycle meet functional and performance requirements as outlined in DOL's SDLCM. The requirements for holding specific milestone reviews are determined by the system size, complexity, and management direction. The completion of a phase represents a logical point at which a milestone review should occur. The seven phases in the SDLCM are: Conceptual Planning Phase, Planning and Requirements Definition Phase, Design Phase Development and Test Phase, Implementation Phase, Operations and Maintenance Phase and Disposition Phase. The audit will encompass the selection of two major system development initiatives.

Objective/Key Question: Are the selected system development efforts following the DOL SDLC methodology or a SDLC methodology approved by the Chief Information Officer? Are they on track to succeed?

Evaluation of the Department of Labor's Small Business Procurement Process

Office: NAEO Phase: Evaluation Start: Ongoing Completion: 3/04

Background: In 1978, under the *Small Business Act* as amended by Public Laws 95-507 and 100-507, all Federal agencies with procurement authority were required to establish Offices of Small and Disadvantaged Business Utilization. Each of these offices, by statute, reports directly to the head of its agency and is responsible for promoting procurement from small businesses, in compliance with federal laws, regulations, and policies. Within DOL, there are two primary groups whose efforts affect small business procurement – the Office of Small Business Programs and the small business procurement specialists in each agency. Each group has unique and collective responsibilities in the small business procurement process. Cooperation between these two groups is necessary to ensure that DOL reaches its small business procurement goals.

Objective/Key Question: Through the ongoing efforts of the Office of Small Business Programs and the agencies' procurement specialists, are program agencies giving due consideration to small businesses in accordance with procurement regulations of the *Small Business Act*?

Procurement Review Board and Sole Source Contracting

Office: NAEO Phase: Survey Start: 02/04 Completion: TBD

Background: The Department of Labor (DOL) frequently awards noncompetitive (sole-source) grants and contracts to nonprofit and for-profit organizations to operate a program or carry out a specific project. The Procurement Review Board (PRB) is responsible for reviewing sole source requests from various DOL agencies and recommending approval or disapproval to the Office of the Assistant Secretary for Administration and Management (OASAM). The effective operation of the PRB is an important internal control over DOL's procurement activity. Inappropriate use of sole source contracts can result in DOL overpaying for contract requirements. It can also discourage potential vendors by creating a perception that DOL's procurement process is effectively a "closed process."

Objective/Key Questions: What criteria does the PRB use in reviewing requests for sole source grants and contracts from the various agencies and programs in the DOL? Is sole source criteria being followed, maintained, and documented correctly as intended in the DOL? Does the current operation of the PRB provide an effective control (both pre- and post-award) over inappropriate or illegal contracting methods?

Department of Labor's Memoranda of Understanding

Office: New York Phase: Survey Start: 03/04 Completion: TBD

Background: In planning and implementing the Department's strategic plan and objectives, agencies throughout DOL create Memoranda of Understanding (MOUs) with public (including foreign countries) and non-public organizations to assist DOL in fulfilling its goals. DOL agencies that partner with organizations through an MOU must ensure that the MOU is carried out according to established agreements, and that resources are used appropriately to execute the MOU.

Objective/Key Question: Are DOL's MOUs being fulfilled according to the agreed-upon objectives detailed in the agreements? Are the costs tied to these agreements allowable, allocable, and reasonable? Is there a standard for all departmental MOUs? What oversight measures are being used to determine whether DOL is committing to more agreements than the Department can fulfill?

Program Performance Data Validation

Office: OAA Phase: Survey Start: 3/04 Completion: TBD

Background: The *Government Performance and Results Act* (GPRA) of 1993 mandated performance measurement by Federal agencies and established the framework for systematically holding Federal agencies accountable for achieving program results and measuring program performance against program goals. The *Federal Financial Management Improvement Act* (FFMIA) of 1996 emphasizes the need for agencies to have systems that can generate reliable, useful and timely information. We will validate performance data generated by three DOL agencies or programs to determine the accuracy and reliability of such data.

Objective/Key Question: Are selected agencies' performance data valid and accurate? Do their systems produce valid and accurate performance data that could be used in management decision-making process and for developing budget requests?

Electronic Media Disposal

Office: OITA Phase: Audit Start: 2/03 Completion: 6/04

Background: Technological advances in computer hardware and software have resulted in network servers and employee workstations being upgraded and replaced on a frequent basis. Critical and sensitive data are stored on electronic media, and appropriate disposal procedures are needed to assure the information is not released.

Objective/Key Question: Are DOL agencies protecting sensitive information when disposing of electronic media?

Grant and Contract Audits

Office: All Phase: Audit Start: Ongoing Completion: Various

Background: The OA plans to conduct financial and performance audits of selected DOL grants and contracts to ensure funds are appropriately spent and that desired results are obtained. Prior OA audits have found unallowable charges and performance problems that otherwise likely would have gone undetected.

Objective/Key Question: Are charges allowable? Were desired results obtained?

Complaint Response

Office: All Phase: N/A Start: Ongoing Completion: Various

Background: The OIG receives complaints and referrals alleging fraud, waste, abuse and misconduct from a variety of sources including federal managers and employees, state and local grantees, DOL program participants and public citizens. Complaints referred to the OA are prioritized for action based on the nature, magnitude and specificity of the allegation or complaint. If chosen for action, an evaluation or audit survey determines the validity of the allegation or complaint.

Objective/Key Questions: Does the allegation or complaint have merit?