

# U.S. Department of Labor

Office of Inspector General—Office of Audit



## OFFICE OF AUDIT WORKPLAN FISCAL YEAR 2008

October 2007

## ***FOREWORD***

The Office of Inspector General (OIG), Office of Audit (OA), is pleased to present its Workplan for FY 2008. The Workplan is the product of OA's continual planning process which includes a detailed risk assessment.

In recent fiscal years, unanticipated requests for audits from the Secretary of Labor and the Congress and external events such as Hurricanes Katrina and Rita impacted OA's annual workplan. Some of the discretionary projects presented in this workplan likewise could be deferred to respond to emerging issues.

During FY 2007, the Office of Audit, with the help of an outside contractor, reviewed OA operations to identify better ways to meet OA's mission. We concluded that assigning OA senior operational staff on a programmatic rather than a geographic basis would improve our effectiveness and better align our operations with how the Department does business. For the first time, the FY 2008 Workplan identifies the Office Director assigned to each audit rather than the name of a responsible Regional Office or Operating Office. See page 21 for a list of Office Directors and their contact information.

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.elliott@oig.dol.gov](mailto:lewis.elliott@oig.dol.gov).

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## **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 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 statutory 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 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.

This Workplan does not identify all grant and contract work or complaint response work that the Office of Audit (OA) will initiate during the Fiscal Year. Instead, we have included a generic write-up for these ongoing efforts, which are found in the Discretionary Project section of this Workplan under the OIG Goal related to assisting DOL in maintaining an effective management process.

### PLANNING DISCRETIONARY ACTIVITIES

Discretionary audits are identified through a planning process designed to identify and prioritize projects in areas of highest risk and/or with the highest potential for supporting the Department's mission and strategic goals. Risk analysis is a continuous activity involving all OA staff who, throughout the year, identify, document, assess and report to OA's planning unit the likelihood and impact of risks related to DOL programs and operations. Also, this past spring the Assistant Inspector General for Audit (AIGA) met with several Agency heads to review the OA's risk analysis and ask for their ideas and priorities for projects.

## 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, 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.

## AUDITS

An audit is a systematic series of procedures and tests designed to satisfy 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.

## PROJECT SUMMARIES

The Workplan describes planned work as well as ongoing projects. For mandatory audits, project summaries include a description of the audit and the responsible Office Director. Discretionary project summaries describe the program, audit objectives, and the responsible Office Director. The summary also indicates whether the audit is ongoing or a new audit scheduled to begin in FY 2008.

**CHAPTER 1**  
**MANDATORY AUDITS**

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

***Job Corps Center Financial and Performance Operations***

Director: Armada

Background: The Workforce Investment Act of 1998 (P.L. 105-220) Section 159 (b)(2) requires reviews, evaluations or audits of Job Corps operators and service providers every 3 years. The Department of Labor's implementing regulations call for all centers to be covered by review, evaluation, or audit every 3 years. There are approximately 98 contractor operated centers and 28 federally operated centers. Through our audits of Job Corps operators and service providers over a 3-year period and statistically selected centers, we will comply with Job Corps audit requirements.

**GOAL: SAFEGUARD WORKERS' AND RETIREES' BENEFIT PROGRAMS**

***Longshore and DC Compensation Act Trust Fund Financial Statement Audits***

Director: McFadden

Background: 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. An Independent Public Accountant (IPA), under contract to the OIG, will audit the two funds' financial statements for FY 2007 in accordance with generally accepted auditing standards and *Government Auditing Standards*. OA will monitor the IPA conducting this audit.

***Federal Employees' Compensation Act (FECA) Special Benefit Fund***

Director: McFadden

Background: The Employment Standards Administration, Office of Workers' Compensation Programs (OWCP), administers the FECA Special Benefit Fund, which the OIG is responsible for auditing. For FY 2008, an IPA, under contract to the OIG, will conduct the audit. The OIG will issue two reports to assist Federal agencies in the audit of their annual financial statements pursuant to the *Chief Financial Officers Act (CFO Act)*. The first is a service provider report on the policies and procedures placed in operation and tests of the operational effectiveness of OWCP. The second report includes: (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; and (2) an agreed-upon procedures report on the schedule of actuarial liability, net intra-governmental accounts receivable, and benefit expense by agency to be issued no later than October 27, 2008.

**GOAL: ASSIST DOL IN MAINTAINING AN EFFECTIVE MANAGEMENT PROCESS**

***DOL Consolidated Financial Statement Audit***

Director: McFadden

Background: As required by the *Chief Financial Officers Act of 1990* (P.L. 101-576), the objective of this yearly audit is to render an opinion on the U.S. Department of Labor consolidated financial statements in accordance with generally accepted auditing standards, *Government Auditing Standards*, and OMB guidance. An IPA, under contract to the OIG, will perform all work necessary to audit and report on the 2007 DOL consolidated financial statements. OA staff will monitor this work.

***Single Audit Compliance***

Director: Warren

Background: As required by the *Single Audit Act Amendments of 1996* and *OMB Circular A-133*, we conduct Quality Control Reviews (QCRs) of selected single audit working papers and reports. 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 followup audit work; and (3) report issues that may require management's attention.

We also 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 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 followup audit work; (3) determine if a QCR should be conducted; 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***

Director: McFadden

Background: 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 their Information Technology (IT) general, application, and security controls. 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 Government Accountability Office's (GAO) Federal Information System Controls Audit Manual (FISCAM). Based on this review, we will conclude on whether controls for selected financial systems are properly designed and operating effectively. An IPA will perform this review as part of the DOL Consolidated Financial Statement Audit. OIG will monitor the IPA's work performance.

***FISMA Audits of DOL Mission-Critical Information Systems***

Director: Galayda

Background: The *Federal Information Security Management Act of 2002 (FISMA)* requires Inspectors General to audit the information systems of their respective departments or agencies. To date, the Department has identified 71 FISMA-covered information systems. The OIG will prioritize the DOL systems based on risk, perform FISMA audits to determine the adequacy of selected systems' security programs, controls and 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**

***Audit of the National Asian Pacific Center on Aging (NAPCA)***

Director: Allberry            Ongoing

Background: The Senior Community Service Employment Program (SCSEP) is authorized under Title V of the Older Americans Act of 1965 and is administered by ETA's Division of Older Workers. SCSEP grant recipients provide subsidized on-the-job training for unemployed low-income persons age 55 or older who have poor employment prospects. NAPCA is one of thirteen national non-profit organizations that receive grant awards through the SCSEP. NAPCA delivers services through host agencies. In FY 2006, its grant awards totaled about \$4.6 million.

Objective/Key Questions: Does NAPCA comply with SCSEP and grant requirements?

***DOL Employment and Training Services to Veterans***

Director: Williams            Ongoing

Background: Under the Jobs for Veterans State Grants, the Disabled Veterans' Outreach Program (DVOP) specialists and Local Veterans' Employment Representatives (LVER) staff provide intensive case management services to veterans and promote the hiring of veterans through direct marketing activities with employers. The State grants comprised approximately \$160 million of VETS' FY 2006 \$222 million budget. A December 2005 GAO report (GAO-06-176) stated that, while DOL has developed a system to monitor program performance, it lacks a strategy for using the information it gathers to make improvements and to help states. A May 2007 GAO report (GAO-07-594) concluded that DOL cannot provide assurance that veterans are appropriately given service priority by programs in the Workforce Investment Act One-Stop system, or that services to veterans are truly effective because of a lack of accountability.

Objective/Key Questions: Do services provided to veterans meet their employment and training needs? Are performance outcomes reported by VETS adequately supported? Are performance measures reasonable?

***VETS' Monitoring of the Homeless Veterans Reintegration Program (HVRP)***

Director: Williams            New

Background: Nearly 10 percent of VETS' annual \$224 million budget goes to the Homeless Veterans Reintegration Program (HVRP). The program assists homeless veterans obtain occupational skills and on-the-job training, job search, placement, and follow up services. News

reports, as well as Department of Veterans Affairs (VA) data, show that the homeless veterans' population is growing. The VA estimates that roughly 250,000 veterans are homeless on any given night. An OIG 2003 audit of a complaint about an HVRP grant found fiscal mismanagement of grant funds.

Objectives/Key questions: Does VETS adequately monitor grantees administering the Homeless Veterans Reintegration Program to ensure fiscal accountability and program effectiveness?

***Audit of High Growth Job Training Initiative Grant Program Results***

Director: Schwartz            Ongoing

Background: This project is the second phase of OIG's response to a Congressional request that OIG evaluate the extent to which ETA's High Growth Job Training Initiative (HGJTI) grants were meeting performance objectives and contributing to DOL's mission. HGJTI targets worker training and career development resources toward helping workers gain the skills needed to build successful careers in growing industries like healthcare, information technology, and advanced manufacturing. From July 1, 2001, through March 31, 2007, ETA awarded 158 HGJTI grants, totaling \$289 million.

Objective/Key questions: Did selected HGJTI grants meet their performance objectives?

***DOL's Monitoring of Faith-Based and Community Organization (FBCO) Grantees***

Director: Allberry            New

Background: Under the President's Faith-Based and Community Organization (FBCO) initiative, DOL has set aside specific allotments of grant funds solely for FBCOs and awarded hundreds of grants (over \$200 million from FY 2002 through 2005). Prior OIG audits found that first-time grant recipients were poorly prepared to accomplish grant goals or to properly account for grant expenditures.

Objectives/Key Questions: Do FBCO grant recipients (especially first-time grantees) effectively accomplish grant goals and properly account for grant funds?

***ETA Oversight of WIA Targeting Provisions***

Director: Hill                New

Background: The Workforce Investment Act (WIA) section 134(d)(4)(E) requires that local areas with insufficient WIA funds for adult employment and training activities must give priority to public aid and other low-income individuals for intensive services and training services. However, data reported by ETA show a drop from 2000 to 2004 in the percent of adults exiting the WIA program who were economically disadvantaged or disabled. If current data reported by the states reflect these same trends, there is the risk that ETA is not sufficiently reviewing and enforcing compliance with WIA targeting requirements when it approves and monitors state plans.

Objectives/Key Questions: Do WIA plans approved by ETA for states, and state-approved plans for local workforce boards, specify that priority of services will be given to target groups if required by WIA section 134(d)(4)(E)? Does ETA need to increase its monitoring or obtain new authority to strengthen its oversight of WIA funded grantees regarding requirements for priority of services to targeted individuals?

***State Implementation of WIA Data Validation***

Director: Hill                      Ongoing

Background: WIA formula grants to states support activities to place and train adults and dislocated workers. Congressional appropriations for Program Year (PY) 2007 were nearly \$857 million for adult programs and \$1.5 billion for dislocated worker programs. GAO has reported that little is known on a national level about those being trained because of weaknesses in the Workforce Investment Act Standard Record Data (WIASRD) database. ETA requires that states and grantees receiving DOL funding submit reports or participant records and attest to the data's accuracy. ETA's data validation project is intended to improve the quality of WIA performance information that states collect and report. States failing to meet the accuracy standards may eventually lose eligibility for incentive awards or face sanctions.

Objective/Key Questions: Does ETA exercise adequate oversight of the states' data validation activities? Have states fully implemented ETA data validation requirements? Are the major ETA-reported performance outcomes for the adult and dislocated worker programs supported? Is ETA's compilation and reporting of state performance data accurate? Are the raw performance data that states supply to the WIASRD supported by source records?

***Disabled Jobseekers and One-Stop Centers***

Director: Yarbrough              New

Background: WIA, which established the One-Stop Delivery system, created new opportunities for matching disabled jobseekers with employers looking for qualified workers. The growing numbers of people with disabilities (including veterans) has increased the demand on the WIA One-Stop system to serve this population. DOL regulations implementing WIA Section 188 provide that DOL recipients have an affirmative obligation under various non-discrimination laws and regulations, including the Americans with Disabilities Act, to administer their programs "in the most integrated setting appropriate to the needs of qualified individuals with disabilities." The One-Stop systems must ensure that these individuals have the same access to WIA services as those individuals without disabilities.

Objectives/Key questions: Do disabled One-Stop jobseekers receive accommodations required by the Americans with Disabilities Act so they can use the services provided? Are disabled one-stop users facing barriers when trying to use the services provided? Are One-Stop staff qualified to serve disabled users?

***Job Corps Procurement System Compliance***

Director: Yarbrough      Ongoing

Background: Nationally, the Office of Job Corps procures training, student pay, property management services, program studies, and major center construction work. Concerns have been raised about whether Job Corps' procurement process complies with applicable contracting laws and regulations and DOL policy; is fair and competitive and results in cost effective contracts; and has improved since the Office of Job Corps transferred from ETA to the Office of the Secretary.

Objective/Key Questions: Do Job Corps' processes and policies comply with applicable procurement/contracting laws, regulations, and DOL policies? Do Job Corps procurement processes and policies ensure fair and open competition? What impact has the transfer of Job Corps from ETA to the Office of the Secretary had on the Job Corps procurement process?

***Job Corps Performance Management System***

Director: Yarbrough      Ongoing

Background: Job Corps' performance-based contracting provides financial incentives for contractors to achieve good performance for Job Corps' students. Prior OIG audits have found that some contractors inaccurately reported or manipulated their performance or quality data in order to receive contract renewals or bonuses.

Objective/Key Questions: Do Job Corps' processes for developing, reporting and monitoring the performance management system comply with Federal laws, regulations, and DOL policies and procedures? Did Job Corps' develop reasonable indicators and methods for measuring contractors' performance? Did Job Corps' monitoring processes adequately ensure contractors' compliance with performance reporting requirements?

***Effectiveness of the Job Corps Facility Survey Process to Ensure the Health and Safety of Job Corps Students***

Director: Armada      New

Background: Prior OIG audits, Congressional inquiries, and discussions with Office of Job Corps management have raised concerns about the condition of Job Corps facilities and how well Job Corps ensures the health and safety of its students. The National Director of Job Corps recently closed one center temporarily, citing an OIG alert report on unhealthy and unsafe conditions at the facility. While Job Corps has a process to track facility needs, it is critical to ensure that corrective actions are taken promptly to address deficiencies found at centers.

Objectives/Key questions: How much facility deficiency information is available to Job Corps management? Does Job Corps have adequate controls to make sure conditions, especially those identified as life threatening, are corrected in a timely manner?

***Financial Audit of Talking Leaves Job Corps Center***

Director: Armada                      New

Background: This audit is a followup to a 1999 OIG audit report (Report No. 06-99-010-03-370) on the Talking Leaves Job Corps Center (TLJCC), which recommended that ETA disallow over \$1 million in improper expenditures. OIG found that TLJCC's financial management system for controlling and reporting on Job Corps funds was deficient. OIG also recommended that the Center strengthen internal controls over Job Corps funds and property and train its financial staff adequately.

Objectives/Key questions: Are TLJCC's financial systems and internal controls adequate to safeguard Job Corps funds and property? Has the Center's financial staff received adequate training?

***BLS Program Survey and Data Reliability***

Director: Warren                      New

Background: The Bureau of Labor Statistics (BLS) is an independent, national statistical agency that 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. Because BLS data must satisfy a number of criteria, including relevance to current social and economic issues, timeliness in reflecting today's rapidly changing economic conditions, and accuracy and consistently high statistical quality, the impartiality of the data in both subject matter and presentation is imperative. To accomplish this multi-faceted mission, the BLS conducts numerous surveys within the following six programs: (1) Employment and Unemployment, (2) Prices and Living Conditions, (3) Compensation and Working Conditions, (4) Productivity and Technology, (5) Employment Projections, and (6) International Programs.

Objectives/Key questions: Are survey collection processes and subsequent data analyses for one or more of the six BLS programs appropriate, and are the results accurate and released in a timely manner?

**GOAL: SAFEGUARD WORKERS' AND RETIREES' BENEFIT PROGRAMS**

***Energy Workers' Compensation - EEOICPA***

Director: Yarbrough      Ongoing

Background: The Energy Employees Occupational Illness Compensation Program (EEOICP) Act authorizes compensation for illnesses due to employment in nuclear weapons production-related activities. The program consists of Part B, which provides compensation (\$150,000) for specific illness and reimbursement of medical expenses as a result of radiation exposure; supplemental benefit payments to individuals qualifying for benefits under the Radiation Exposure Compensation Act (RECA); and Part E, implemented in October, 2004, which provides compensation (up to \$250,000) for wage loss, impairments, and medical expenses for illness as a result of exposure to toxic substances while working at covered Department of Energy facilities. In 2006, there were several Congressional hearings addressing DOL's implementation of EEOICP and claimant charges that program benefits were being improperly limited or denied.

Objective/Key Questions: Does DOL process benefits for EEOICPA claims in accordance with applicable laws and regulations?

***FECA Data Mining***

Director: Hill      Ongoing

Background: Rising government costs for the Federal Employees' Compensation Act (FECA) program (\$1.4 billion in 1990 to \$2.3 billion in 2006) have led the President's Council on Integrity and Efficiency to pursue joint efforts to identify and prevent fraud in the program. DOL-OIG will work with the Social Security Administration's OIG to use data mining techniques in analyzing the periodic long-term rolls to identify attributes of FECA cases that may indicate the claimant should not be receiving FECA compensation (e.g., compensation with little or no medical costs related to the claimant's injury). DOL will refer potential cases of fraud to the respective OIGs for investigation, and analyze the results to determine how to better detect and prevent fraud in the FECA program.

Objective/Key Questions: Are there attributes in FECA data bases that indicate that FECA claimants are fraudulently collecting benefits or have the ability to return to work? Do the periodic rolls show claimants collecting benefits for injuries from which they should have recovered?

***Determination of Wage Earning Capacity for FECA Claimants on the Periodic Roll***

Director: Hill      New

Background: OIG's FY 2006 analysis of FECA's database of beneficiaries revealed an increasing number of beneficiaries continue to receive full disability benefits for long periods without a determination of their wage earning capacity. The Office of Workers' Compensation

Programs classifies these claimants as Periodic Roll (PR). Over a 3-year period ending September 30, 2005, the numbers of beneficiaries in this category rose from 15,000 to 21,000. Of the 21,000 claimants in this category at the end of FY 2005, 14,000 claimants received full benefits for more than 6 years while awaiting OWCP's determination of their wage earning capacity. Benefits paid could be reduced if OWCP made timely determinations of claimant wage earning capacity. When a determination is made that a claimant has full wage earning capacity, compensation benefits are terminated.

Objective/Key Questions: What are the reasons for the lack of timely wage earning capacity determinations and subsequent increase in the number of claimant classified as PR?

***Contingency Planning for the SWAs' UI Tax and Benefit Information Systems***

Director: Galayda            Ongoing

Background: ETA expressed interest to the Assistant Inspector General for Audit to conduct reviews of the State Workforce Agencies' (SWAs') ability to continue operations following disasters. The hurricanes that devastated the Gulf Coast of the United States in 2005 exposed a variety of problems with the contingency plans for the State Unemployment Insurance Tax and Benefit Systems administered by the SWAs.

Objective/Key Questions: Do SWAs have adequate IT contingency plans for the UI Systems in place to minimize the effects of natural disasters or other disruptions to the state UI systems?

***SWA Use of the Social Security Administration and National Directory of New Hire Databases for Unemployment Compensation Program Fraud and Abuse Detection***

Director: Williams            New

Background: DOL paid \$30.2 billion in unemployment insurance (UI) benefits in CY 2006. ETA's Benefit Accuracy Measurement (BAM) program reported a UI fraud rate for that period of 2.7 percent, or about \$821 million in fraudulent overpayments. BAM also reported that 87 percent of fraud overpayments were not detectable through normal state and agency procedures at the time the payments were made. To combat fraud and abuse in the UI program, ETA encourages SWAs to match the National Directory of New Hires (NDNH) with State unemployment insurance claims databases to identify claimants who may have obtained new employment while simultaneously receiving benefits. In addition, a memorandum of understanding between ETA and the Social Security Administration (SSA) allows SWAs real-time access to SSA's database to confirm the validity of information used to file for benefits.

Objective/Key Questions: Are State Workforce Agencies effectively utilizing the information from the National Directory of New Hires and the SSA database to detect unemployment insurance payments? What issues are keeping some states from using the NDNH and the SSA database to detect unemployment compensation overpayments?

### ***EBSA Enforcement Targeting***

Director: Allberry            New

Background: EBSA works to safeguard the economic interests of more than 150 million workers who participate in an estimated 6 million employee benefit plans. The effective management of EBSA's enforcement program is vitally important to ensuring the economic security of workers and retirees. In 2007, GAO issued a report entitled, *Enforcement Improvements Made but Additional Actions Could Further Enhance Pension Plan Oversight*. In that report, GAO stated that some EBSA regional office staff raised the concern that limited resources and expected increases in EBSA performance goals may limit their ability to conduct complex investigations of potential Employee Retirement Income Security Act (ERISA) violations.

Objective/Key Questions: Does EBSA have effective enforcement plans to adequately provide coverage to pensions overseen by EBSA? What is EBSA's enforcement targeting strategy? How does EBSA assure that plans, regardless of participant size, receive adequate coverage?

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

### ***Foreign Labor PERM System Audits***

Director: Williams            Ongoing

Background: ETA's new Program Electronic Review Management (PERM) system for certifying aliens for permanent employment in the United States, which was implemented in March 2005, was a departure from ETA's old manual system. Formerly, ETA's system relied on reviews and validation of employer applications by State and Federal staff. Under new procedures, employers attest that they completed all required processing steps and that they maintain in their possession documentation to substantiate the application. The PERM system audits the certifications using built-in flags and controls to ensure applications are complete, and validates some certification data.

Objective/Key Questions: How effective are the PERM System's automated controls for testing completeness and validity of employer applications? Were ETA's Office of Foreign Labor Certification's (FLC) decisions to certify or deny applications appropriate and in accordance with PERM system policies and procedures? Were applications properly selected for and subjected to audit? Did ETA's audits and resulting decisions follow policies and procedures?

***Compliance with H-1B Visa Program Requirements***

Director: Williams      New

Background: The GAO testified (GAO-06-901T) on June 22, 2006, before the House Subcommittee on Immigration, Border Security and Claims, Committee on the Judiciary, that DOL was experiencing increases in the number of complaints, wage and hour violations, and employer penalties related to the H-1B specialty occupations Visa program. Further, GAO reported issues with the Department's published program guidance for employers.

Under H-1B, employers must attest to DOL that wages offered are at least equal to the actual wage paid by the employer to other workers with similar experience and qualifications for the job in question, or the prevailing wage, whichever is greater. These requirements are designed to protect the wages of U.S. workers in similar positions. Numerous allegations of abuse have been made that employers use the H-1B program to replace U.S. workers with foreign workers and to circumvent other immigration laws.

Objectives/Key Questions: What system does the DOL have in place to monitor and enforce employer compliance with the H-1B program requirements? Is adequate information and assistance provided to employers related to H-1B program requirements? Are foreign workers hired through the H-1B Visa program receiving the local prevailing wage, or the employer's actual wage, whichever is higher?

***Wage and Hour New Orleans District Office***

Director: Yarbrough      Ongoing

Background: In recent Congressional hearings, workers, their advocates, and lawyers charged the DOL failed to adequately enforce labor laws and to redress worker grievances in a timely manner following Hurricane Katrina. In response to a Congressional request, the OIG will audit the performance of the New Orleans Wage and Hour District Office with respect to staffing, serving non English-speaking workers, intake procedures, and community relations.

Objective/Key Questions: Was the response of the Wage and Hour New Orleans District Office in the wake of Hurricane Katrina sufficient to adequately enforce labor laws and address worker grievances?

***Enforcement of Fair Labor Standards Act (FLSA) Rules for Overtime***

Director: Yarbrough      New

In August 2004, for the first time in more than 60 years, the Department of Labor changed overtime rules related to the FLSA for certain classes of workers. The changes allow "compensatory time" off, instead of overtime pay, for a broader range of Executive, Administrative, Professional, Outside Sales and Computer Employees. New criteria based on an employee's duties and responsibilities often require decisions about who is covered by the new rules to be made on a case-by-case basis. Since classifying employees as "exempt" from FLSA

overtime rules can reduce employer costs, there is a significant inherent risk that employers will inappropriately classify employees as “exempt” from the rules.

Objective/Key Questions: Is WHD effectively monitoring and enforcing employers’ compliance with newly established exemptions to existing overtime requirements?

***MSHA Review (Subjects to be determined)***

Office: Allberry                      Ongoing

Background: MSHA administers provisions of the 1977 Federal Mine and Safety and Health Act (Mine Act) and enforces compliance with mandatory safety and health standards. A series of coal mine accidents resulting in a significant increase in the number of miner fatalities in FY 2006 has focused attention on MSHA’s mission and effectiveness. New legislation (The MINER Act of 2006) has created new safety and health requirements and new grant programs.

Objective/Key Questions: Based on the OIG’s general research and risk assessment, are there additional areas in MSHA that warrant further review in FY 2007?

***MSHA’s Approval of Mining Plans – Crandall Canyon Mine***

Director: Allberry                      Ongoing

Background: The Crandall Canyon mine collapse in August 2007 raised concerns about how MSHA reviews, approves, and monitors changes to mining plans, especially related to retreat mining activities.

Objective/Key Questions: Was MSHA District 9’s approval and oversight of Crandall Canyon’s mining plan and amendments in compliance with Federal law, regulations and MSHA policy? In response to the August 6<sup>th</sup> accident, what was MSHA’s process for deciding to allow the rescuers in the mine?

***OSHA’s Procedures for Selecting Workplaces for Programmed Inspections***

Director: Schwartz                      Ongoing

Background: The Occupational Safety and Health Administration’s (OSHA) role is to assure the safety and health of American workers, in part by setting and enforcing safety standards. In order to accomplish this, OSHA seeks to focus its resources on those workplaces most likely to cause worker injury, illness, or death. OSHA conducts comprehensive programmed inspections and unprogrammed inspections. The latter are limited in scope and are done in response to actual occurrences of fatalities, injuries, referrals, and complaints at a specific worksite.

Objective/Key Questions: Does OSHA effectively analyze and use information obtained from unprogrammed inspections in determining the allocation of resources for programmed inspections?

***Eligibility for OSHA's Voluntary Protection Program***

Office: Schwartz                      New

Background: OSHA's Voluntary Protection Program (VPP) partners with businesses and worksites that show excellence in occupational safety and health. In return for effective employee protection at VPP sites, OSHA removes participating employers from programmed inspection lists. The number of VPP sites has increased at a rapid rate, from 1043 in FY 2003 to 1844 in August 2007. In addition, there is a wide variance in VPP participation by state. This may indicate that national implementation of the VPP program is not consistent.

Objectives/Key questions: Is OSHA assuring that employers meet all eligibility requirements for initial or continued membership in the Voluntary Protection Program?

**GOAL: ASSIST DOL IN MAINTAINING AN EFFECTIVE MANAGEMENT PROCESS**

***Effectiveness of DOL's Records Management Functions***

Director: Hill                              Ongoing

Background: DOL manages its records in accordance with Department of Labor Management Series Records Management. DOL has postponed implementation of a new e-mail and electronic document back-up retention policy, which was scheduled to take effect on July 1, 2007. Concerns with the new policy include the lack of employees' awareness of requirements to print and file electronic documents that are Federal records due to lack of training. Other concerns related to the Department's ensuring consistent implementation of back-up media, preservation of Federal records in accordance with Federal laws and regulations, and Freedom of Information Act and other disclosure issues.

Objective/Key Questions: Are DOL's Records Management functions, related policies, procedures, practices, and processes effectively preserving Federal records in compliance with Federal laws and regulations, and DOL policy?

***Sole Source Acquisitions in DOL***

Director: Hill                              Ongoing

Background: The Federal Acquisition Regulation (FAR) allows agencies, under specific, limited circumstances, to purchase goods or services directly from a provider without competition (i.e., sole source). In FY 2006, 7.6 percent of all DOL procurements represented sole source contracts, totaling \$240 million. While sole source procurements may expedite agency purchasing, departures from full and open competition (a) increase the risk that DOL will pay too much or obtain inferior products and services; (b) increase the risk of fraud or abuse (i.e., contract steering, bribes, kickbacks); and (c) inhibit the development of alternative sources to meet future needs. Recent OIG audits have reported serious procurement irregularities by one

DOL agency and critical problems (including an apparent conflict of interest) in another agency; both situations involved sole source procurement.

Objective/Key Questions: Does DOL approve and award sole source contracts in compliance with Federal and DOL requirements? Is DOL appropriately limiting and adequately controlling the procurement process for other than full and open competition?

***Government Purchase Card Program***

Director: Warren                      New

Background: The DOL Purchase Card Program is a vital business tool for expediting simplified acquisition procedures. A 2002 OIG evaluation discovered: management oversight and control required strengthening; policies and procedures were not sufficient to address key program elements; and communications and training needed improvement. The audit concluded that internal controls and written operational procedures were not sufficient to detect and/or prevent potential misuse of the government purchase card. These significant program effectiveness issues require follow-up.

Objective/Key Questions: Were management oversight and related controls (number of cards, training, etc.) adequate and effective? Were program policies and procedures adequate and did they provide effective guidelines for key program elements? Did program purchases comply with applicable regulations?

***8(a) Business Development (BD) Program***

Director: Warren                      New

Background. The 8(a) Business Development Program is a Small Business Administration (SBA) program that allows DOL to award contracts to small, disadvantaged businesses with limited or no competition. The program purpose is to provide these firms with the experience and financial growth necessary to ultimately participate in fair and open competitions for future government contracts. Over the long-term, this should increase competition for government contracts and lower government contracting costs. According to the Federal Procurement Data System-Next Generation, Small Business Report for Fiscal Year 2005 (the most recent available), DOL awarded 168 8(a) program actions valued at \$48 million, which represented 2.9 percent of DOL procurement actions for that fiscal year.

Objectives/Key questions: In DOL, are 8(a) contracts awarded and monitored in accordance with SBA regulations, the Federal Acquisition Regulation, the DLMS, and the SBA/DOL partnership agreement?

***Portable Technology Security***

Director: Galayda                      New

Background: The use of portable technology is increasing daily to perform DOL business activities by exchanging, processing, and storing data and information. Many employees use

their own portable technology devices to store government information, and data stored on these devices must also be safeguarded. Portable technology devices are as vulnerable as desktop systems to viruses, mobile code exploits, and other threats.

Objective/Key Questions: Has DOL defined and implemented appropriate portable technology security policies? Are DOL employees using portable electronic devices, such as Personal Digital Assistants, correctly with controls in place to enforce the security policies? Are DOL employees adequately protecting sensitive data on portable technology? Are DOL employees well informed and knowledgeable of the existing information security policies affecting the use of portable technology?

### ***DOL Implementation of Homeland Security Presidential Directive (HSPD)-12***

Director: Yarbrough      New

Background: To comply with HSPD-12 the Department, as well as all other Federal agencies, was charged with implementing a standard system for identifying Federal employees and contractors by September 2006. HSPD-12 requires Federal agencies to establish a secure and reliable method of identification, which has the capability to coordinate access with other Federal agencies and sites.

Objective: Did DOL successfully implement HSPD-12?

### ***ILAB Attestation Agreements***

Background: Since 2004, approximately 30 examination reports, and attestation engagements of ILAB's Education Initiative (EI) projects have been completed and 5 additional EI projects are scheduled for FY 2008. ILAB seeks to improve these audits and their oversight in preparation for issuing a new contract for these services in FY 2009.

Objective Key Questions: Were the attestation engagements of ILAB's Education Initiative (EI) projects, conducted in compliance with the *Government Auditing Standards*?

### ***Grant and Contract Audits***

Director: All      Ongoing

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.

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

***Complaint Response***

Director: All                      Ongoing

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 grantee officials, DOL program participants, and private citizens. Complaints are prioritized for action based on the nature, magnitude, and specificity of the allegation or complaint.

Objective/Key Questions: Does the allegation or complaint have merit? Are corrective actions necessary?

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