

U.S. Department of Labor

Office of Inspector General—Office of Audit



OFFICE OF AUDIT WORKPLAN

FISCAL YEAR 2011

FOREWORD

The Office of Inspector General (OIG), Office of Audit (OA), is pleased to present its *Office of Audit Workplan for Fiscal Year (FY) 2011*. The workplan is the product of OA's continual 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 goals.

In recent fiscal years, unanticipated requests for audits from the Secretary of Labor and Congress and external events such as natural disasters impacted OA's annual workplan. For example, in the wake of the fatal April 5, 2010, Upper Big Branch mine explosion that killed 29 workers — the worst mine disaster in 40 years — several members of Congress asked the OIG to audit the Mine Safety and Health Administration's implementation of the pattern of violations provision in the *Mine Act*. Some of the discretionary projects presented in this workplan likewise could be deferred to respond to emerging issues or incidents.

For FY 2011, we continue to audit programs funded by the Recovery Act — audits ongoing and planned are found in Chapter 3. Management challenges identified by the OIG in the FY 2010 Agency Financial Report are addressed through both mandatory and discretionary audit work.

OA senior operational staff is assigned on a programmatic rather than a geographic basis. The FY 2011 Workplan identifies the Office Director assigned to each audit. See page 28 for a list of Office Directors, their programmatic assignments, and their contact information.

Suggestions of issues to which the OA 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.

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INTRODUCTION

PURPOSE

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

MANDATORY AUDITS

Mandatory audits are those the OA is required to conduct by law or regulation. 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 (FISMA) of 2002* requires the Inspector General to evaluate the Department of Labor's (DOL) mission-critical information systems. We also have a statutory mandate to perform triennial audits of Job Corps Centers and service providers.

DISCRETIONARY AUDITS

Once all mandatory audits are funded, remaining resources are used to fund financial and performance audits in accordance with our mission under the *OIG's* authorizing legislation, the *Inspector General Act of 1978*, as amended. 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. Each year, the Assistant Inspector General for Audit (AIGA) meets with several Agency heads to review the OA's risk analysis and ask for their ideas and priorities for audit oversight projects.

Additionally, we reserve a portion of discretionary 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 that *OIG* receives from sources such as state and Federal program managers and private citizens. Requests from Congress and the Department are given special consideration when we prioritize how to apply our resources.

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

AMERICAN RECOVERY and REINVESTMENT ACT OF 2009 AUDITS (RECOVERY ACT or ARRA)

The American Recovery and Reinvestment Act provided more than \$70 billion to the DOL in four areas:

- Unemployment benefits - \$65 billion (estimated)
- Employment and Training - \$4.5 billion
- Job Corps construction and rehabilitation - \$250 million
- Departmental oversight - \$80 million

The OIG received a separate appropriation of \$6 million for oversight and audits of DOL programs, grants, and projects funded under the Recovery Act. OIG's work includes audits on how the DOL planned for administration and oversight of Recovery Act funds, how DOL awarded Recovery Act funds to grantees and contractors, and how grantees and contractors performed and what they accomplished with Recovery Act funds.

WORKPLAN ORGANIZATION and OIG STRATEGIC GOALS

The Audit Workplan is organized by mandatory audits (Chapter 1), discretionary audits (Chapter 2), and audits related to OIG's oversight of DOL programs receiving funding under the Recovery Act (Chapter 3). All three chapters are in sections that group audit projects 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*, Job Corps, the Employment Service, labor statistics, Veterans' Employment and Training Services, 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, foreign labor certification, 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 primarily 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.

AUDIT SUMMARIES

The Workplan describes future 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.

CHAPTER 1
MANDATORY AUDITS**GOAL: OPTIMIZE THE USE OF FUNDS APPROPRIATED FOR TRAINING AND EMPLOYMENT PROGRAMS***Overview of Job Corps Audits*

Job Corps is primarily a residential educational and occupational training program where young people ages 16–24, who meet income requirements and are U.S. citizens or legal residents, can learn a career, earn a high school diploma or General Educational Development certification, and get help finding a job. Job Corps is administered by the DOL and operates 124 centers across the country.

The *Workforce Investment Act (WIA) of 1998*, P.L. 105-220, Section 159 (b)(2) requires reviews, evaluations, or audits of Job Corps center operators and service providers every 3 years. Through financial, performance, and health and safety audits of Job Corps center operators, selected centers, and service providers rotated over a 3-year period, we comply with this requirement. For FY 2011, the OIG will audit Job Corps performance measures, and Job Corps center contracting. The following section provides a brief summary of audits planned to start in FY 2011.

Effectiveness of Job Corps' Performance Measures

Director: Armada

Background: The Office of Job Corps (Job Corps) collects data related to more than 50 metrics to monitor program performance, and meet various external (e.g., Government Performance Results Act of 1993, Workforce Investment Act of 1998) and internal reporting requirements (e.g., assessment of center operations). In 2009, an advisory committee appointed by the Secretary of Labor to evaluate the Job Corps performance measures and the program's effectiveness recommended Job Corps emphasize post-secondary education as such training will prepare participants for jobs leading to self-sufficiency. In 2008, Mathematica Policy Research, Inc., examined to what extent Job Corps performance measures track program impacts. The Company found that performance measures based on longer-term post program follow up could strengthen the connections between performance measures and desired long-term outcomes for Job Corps graduates.

Objective/Key Question: Does Job Corps have metrics in place to effectively measure the program's performance?

Job Corps Center Contracting

Director: Armada

Background: Recent OIG audits found that some Job Corps center operators did not follow Federal procurement requirements for full and open competition when awarding contracts. As a result, centers could not provide assurance that contracted goods and services were obtained at costs most favorable to Job Corps. In one audit, OIG questioned nearly \$200,000 in subcontracts awarded without full and open competition. A lack of adequate oversight and training may contribute to the lack of competition in the center operators subcontracting.

Objectives/Key Questions: Were center contracts awarded in accordance with Federal Acquisition Regulations (FAR) and Job Corps requirements? Were center contract costs reasonable and allowable in accordance with the FAR and Job Corps requirements?

GOAL: SAFEGUARD WORKERS' AND RETIREES' BENEFIT PROGRAMS***Federal Employees' Compensation Act (FECA) Special Benefit Fund***

Director: Donovan

Background: The FECA Special Benefit Fund (the "Fund") was established by the *Federal Employees' Compensation Act* to provide Federal civilian employees with income and medical cost protection for job-related injuries, diseases, or deaths. The Office of Workers' Compensation Programs (OWCP) administers the Fund, which the OIG is responsible for auditing.

For FY 2011, an Independent Public Accountant (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 and tests of the operational effectiveness of OWCP. The second report includes (1) an audit 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 31, 2011.

Longshore and Harbor Workers' Compensation Act (LHWCA) Special Fund and District of Columbia's Workmen's Compensation Act (DCWA) Special Fund Financial Statement Audits

Director: Donovan

Background: The LHWCA provides medical benefits, compensation for lost wages, and rehabilitation services to covered workers in maritime and other industries, who are injured during the course of employment or contract an occupational disease related to employment. The LHWCA requires the OIG to annually audit the financial statements of the U.S. Department of Labor LHWCA Special Fund and the DCWA Special Fund. An IPA, under contract to the OIG, will complete an audit of the two funds' financial statements for FY 2010 and begin the audit of the financial statements for FY 2011. Both audits will be accomplished in accordance with

generally accepted auditing standards and *Government Auditing Standards*. OA will monitor the IPA conducting this audit.

Review of Agency Report on Unemployment Insurance (UI) Improper Payments

Director: Donovan

Executive Order (EO) 13520, Reducing Improper Payments and Eliminating Waste in Federal Programs, requires DOL provide a report on Improper Payments in the Unemployment Insurance (UI) Program to the OIG annually. The report to the OIG must include a plan for meeting reduction targets for UI improper payments, and a methodology for identifying and measuring such payments. The EO requires that the OIG review the report and provide the agency with recommendation(s) for modifying the agency's improper payment reduction plan and methodology.

Objectives/Key Questions: Does the DOL's annual report on reducing improper UI payments comply with all the requirements of EO 13520? Are figures represented in the annual report accurate? Could the DOL improve the methodology of its improper payment reduction plan?

GOAL: ASSIST DOL IN MAINTAINING AN EFFECTIVE MANAGEMENT PROCESS

DOL Consolidated Financial Statements Audit

Director: Donovan

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 and complete all work necessary to audit and report on the FY 2010 DOL consolidated financial statements including a general application and security controls review of selected DOL financial systems; and begin, under the same standards, the audit of the FY 2011 DOL consolidated financial statements. OA staff will monitor this work.

Single Audit Compliance—Quality Control Reviews of Single Audit Reports

Director: Coyle

Background: As required by the *Single Audit Act Amendments of 1996* and *OMB Circular A-133*, the OIG conducts Quality Control Reviews (QCRs) of selected single audit working papers and reports. The objectives of the Quality Control Reviews 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.

Single Audit Compliance—Desk Reviews of DOL Grantee Reports Referred by the Federal Audit Clearinghouse

Director: Coyle

Background: The OIG conducts desk reviews of all single audit reports issued to DOL grantees that are referred 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 follow-up 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, the OIG issues reports to the DOL funding agency or agencies. Single audit Quality Control Reviews and desk reviews are ongoing throughout the fiscal year.

Overview of Federal Information System Management Act (FISMA) Audits

The 2002 *E-Government Act*, Public Law 107-347, recognized the importance of information security to the economic and national security interests of the United States. Title III of the *E-Government Act*, entitled the *Federal Information Security Management Act (FISMA)*, requires each Federal agency develop, document, and implement an agency-wide program to provide security for the information and information systems that support agency operations and assets.

FISMA, along with the *Paperwork Reduction Act of 1995* and the *Information Technology Management Reform Act of 1996* (Clinger-Cohen Act), explicitly emphasizes a risk-based policy for cost-effective security. Using annual FISMA reporting guidance, Agency heads, in coordination with their Chief Information Officers (CIOs), report the security status of their information systems to OMB. Annually, the Inspectors General provide OMB with an independent assessment of the security status of agency Federal information systems. The following section provides a brief summary of OIG FISMA audits for FY 2011

FISMA Audits of DOL Mission-Critical Non-financial Information Systems

Director: Galayda

Background: As required by the FISMA, OIG will perform an audit of the Department's information security program and determine the effectiveness of such program, policies and practices. By selecting a representative subset of the major non-financial information systems and/or focus areas, and related security controls, the OIG will develop a risk-based audit approach to determine whether DOL's non-financial information systems effectively implement required minimum security controls.

FISMA Audits of DOL Mission-Critical Financial Information Systems

Director: Galayda

Background: As required by the FISMA, the OIG, with assistance from an Independent Public Accountant (IPA), will perform audits of DOL's security program, policies, and practices

covering major financial systems. The IPA will develop a risk-based audit approach to determine whether DOL's financial systems effectively implement required minimum security controls.

FISMA Audits of IT Governance and Entity-wide Controls

Director: Galayda

Background: The CIO is required to manage a complete security and privacy program to protect the availability of the Department's computer systems, the integrity of business operations, and the confidentiality of sensitive information, including assuring the availability of the information. OIG will audit the Office of the CIO (OCIO) policies, procedures and monitoring reviews to determine the effectiveness of the OCIO's oversight and monitoring, activities, including continuous monitoring activities.

Independent Verification and Validation of Agency Remediation

Director: Galayda

Background: OIG performs independent verification and validation (IV&V) of DOL management remediation efforts to correct OIG-identified security weaknesses. The OIG follows up on prior-year recommendations and determines if management took appropriate and timely actions to remediate identified security weaknesses. Management uses the Plan of Actions and Milestones (POA&M) reporting and tracking tool to schedule remediation actions and track their related progress. Management's timely remediation efforts are key to improving the security of DOL's information systems, and resolving and closing OIG-related recommendations.

CHAPTER 2**DISCRETIONARY AUDITS****GOAL: OPTIMIZE THE USE OF FUNDS APPROPRIATED FOR TRAINING AND EMPLOYMENT PROGRAMS*****WIA Adult and Dislocated Worker Programs Training and Placement Outcomes***

Director: Hill Ongoing

Background: The Adult and Dislocated Worker formula grants to the states and territories support the primary adult employment and training programs authorized under the WIA. Local workforce areas operate One-Stop Career Centers that provide comprehensive services to workers and employers. Through collaborative partnerships, these WIA programs assist individuals to achieve their career goals by increasing work readiness, educational attainment, and occupational skills, and connecting them to jobs in demand. For training services under WIA, eligible adult and dislocated job seekers are generally provided an Individual Training Account (commonly called an ITA) to cover the costs of a training program they can select from the State Workforce Agency's eligible training provider list. WIA requires that training services be directly linked to occupations that are in demand in the local area.

Objectives/Key Questions: To what extent are state and local Workforce Investment Boards identifying demand occupations? To what extent did WIA Adult and Dislocated worker program exiters receive training in demand occupations; complete the training; and find and retain employment related to the training received?

YouthBuild Training Services and Outcomes

Director: Yarbrough Ongoing

Background: YouthBuild provides job training and educational opportunities for at-risk youth ages 16–24 while constructing or rehabilitating affordable housing for low-income or homeless families in their own neighborhoods. The Department of Labor's Employment and Training Administration began operating YouthBuild in September 2006 after Congress transferred it from the Department of Housing and Urban Development (HUD) to DOL. ETA awarded 96 grants in October 2007 and an additional 11 grants in July 2008. YouthBuild received \$50 million in ARRA funding and \$70 million in FY 2009 funds and awarded 183 grants. For FY 2010, YouthBuild received \$96 million. When HUD operated the YouthBuild program, GAO reported HUD had not aggregated or analyzed performance data and conducted limited oversight of grantees.

Objectives/Key Questions: Did YouthBuild grantees serve eligible participants? What training and services did grantees provide; and what were the outcomes?

Bureau of Labor Statistics (BLS) Labor Market Information (LMI) Cooperative Agreements

Director: Katz Ongoing

Background: The BLS is the principal Federal agency responsible for collecting and disseminating statistics on labor economics. BLS contracts with the states, the District of Columbia, and some U.S. territories to collect and process employment statistics and occupational safety and health statistics. These types of programs are called Federal-state cooperative programs. The BLS and the states enter into an LMI Cooperative Agreement that defines the role of each partner. The agreement has subagreements for each of five statistical programs. BLS regional staff, under the direction of the Office of Field Operations, negotiates and monitors the LMI Cooperative Agreements.

Objectives/Key Questions: Does BLS effectively monitor the LMI agreements with the states to ensure program objectives are met and to identify instances when states need Federal technical assistance?

WIA and Wagner-Peyser Participant Co-enrollment

Director: Hill

Background: The Employment and Training Administration (ETA) encourages states to co-enroll adults and dislocated workers in both *Workforce Investment Act (WIA)* and Wagner-Peyser programs offered through the One-Stop Career system. Co-enrollment allows participants to benefit from a broader range of services such as occupational skills training (WIA) and job search assistance (Wagner-Peyser) to increase their chance for long-term employment. However, during a previous audit of WIA Data Validation, OIG learned that states' policies on co-enrollment vary. The result has been inconsistency in the quality and accuracy of reported participant and performance information.

Objectives/Key Questions: What are ETA's objectives for co-enrollment and has the agency achieved them? How does ETA ensure that states' co-enrollment policies and procedures result in accurate participant and performance data? How do states implement co-enrollment and do any suggest "best practices" for co-enrolling participants, meeting performance goals, and accurately reporting financial and performance data? How has co-enrollment impacted the costs for the WIA Adult and Dislocated Worker programs and the Wagner-Peyser employment program?

Direct Labor Costs Charged to ETA Programs

Director: Hill

Background: Federal cost principles, as outlined by the Office of Management and Budget (Circular A-87), allow state workforce agencies (SWAs) to bill Federal grants on the basis of estimated costs. However, at the end of the year, SWAs must adjust the charges to reflect actual costs. As state budgets shrink due to a slow economic recovery, agencies look for ways to save money. Consequently the risk grows that SWAs may overcharge Department of Labor grant programs for direct costs. OIG's 2006 audit of California's state workforce agency found that the

agency could not support its allocation of more than \$53 million in direct labor costs and more than \$23 million in associated costs charged to DOL grants.

Objective/Key Question: Do SWA direct labor costs charged to ETA grant programs comply with Federal cost principles in OMB Circular A-87 and the terms of the grants?

ETA Post-Performance Oversight of Discretionary (non-formula) Grants

Director: Schwartz

Background: This audit will examine ETA's post-performance phase for processing discretionary grants. According to Employment and Training Order (ETO) No. 1-08, the objectives of this phase are to ensure 1) grants are closed out within Federal and agency timelines; 2) Federal requirement for asset disposal, audits and audit resolution, and record documentation and retention are met; and 3) information regarding grantee performance and management is analyzed and the results are used in the pre-award phase to inform future grant design and investments.

Objectives/Key Questions: Were grants closed out within Federal and agency timelines? Were Federal requirements for asset disposal, audits and audit resolution, and record documentation and retention met? Was information regarding grantee performance and management analyzed and the results used in the pre-award phase to inform future grant design and investments?

Bureau of Labor Statistics Technical Assistance and Training

Director: Katz

Background: Federal, state, and private sector employees collect data for a variety of Bureau of Labor Statistics (BLS) surveys. BLS conducts a multi-faceted training program for these workers. Each unit within the National Office of Field Operations contains a training group with responsibility for the development and maintenance of an effective training program for its surveys. Proper technical direction and training is required to ensure that BLS interviewers collect quality information for the agency to produce many of its major economic indicators.

Objective/Key Question: Does the BLS National Office of Field Operations provide sufficient technical direction and training to state and private sector employees to ensure that such workers collect accurate and consistent data for BLS surveys?

BLS Survey of Occupational Injuries, Illnesses and Fatalities

Director: Katz

Background: The BLS annual Survey of Occupational Injuries, Illnesses and Fatalities (IIF) captures occupational injury and illness data from employers who voluntarily, with the assurance of confidentiality, report injury and illness statistics they maintain on logs for the Occupational Safety and Health Administration (OSHA). In its FY 2011 Congressional Budget Justification, BLS cited the Senate Appropriations Committee's concerns about alleged discrepancies found when comparing BLS injury and illness survey data to reports on state workers' compensation. The reported discrepancies raise a question about the completeness of the BLS data.

Objectives/Key Questions: Are there differences between BLS Survey of Occupational and Injuries and Illnesses data and state workers' compensation reports that impact the usefulness and reliability of the Survey? What is the cause of differences between the BLS Survey and state workers' compensation data?

GOAL: SAFEGUARD WORKERS' AND RETIREES' BENEFIT PROGRAMS

Pension Plan Proxy Activities

Director: McClane Ongoing

Background: Private pension plans hold more than \$4 trillion in assets and cover more than 140 million American workers. Industry estimates indicate that some pension plans spend up to \$1 million per plan per year on proxy activities. These activities encompass plan efforts to influence business, social, and political goals through proxy voting. Overall, expenditures in this area could exceed \$1 billion, reducing plan assets and ultimately the benefits available to plan participants. In EBSA's 2008 Interpretive Bulletin 94-2, DOL reiterated its view if proxy activities do not provide a clear benefit to plan participants, the expenditure of the funds is an *Employee Retirement Income Security Act (ERISA)* violation.

Objective/Key Question: Is EBSA adequately enforcing ERISA requirements on plan proxy activities?

State Workforce Agency (SWA) Unemployment Insurance Overpayment Detection

Director: Yarbrough

Background: Executive Order 13520, signed by President Obama on November 20, 2009, sets policies for Federal programs to identify and eliminate improper payments. Due to adverse labor market conditions, unemployment insurance benefits increased from \$42 billion in FY 2008 to \$119 billion in FY 2009. As a result, unemployment insurance overpayments increased—from \$3.9 billion in FY 2008 to \$11.4 billion in FY 2009. The ETA monitors SWA benefit payment control programs which are designed to detect overpayments. Beginning in FY 2009, those SWAs that do not report at least a 50 percent overpayment detection rate must prepare a corrective action plan, which ETA monitors through the State Quality Service Plan (SQSP) process.

Objective/Key Question: Does ETA have effective controls to ensure each SWA is achieving its performance goal for the detection of unemployment insurance overpayments as defined in its State Quality Service Plan (SQSP)?

Recovery of Unemployment Compensation Overpayments

Director: Yarbrough

Background: Reducing and preventing the overpayment of Unemployment Compensation (UC) benefits by improving controls continue to be a major challenge of the Department of Labor.

High unemployment rates increase this challenge as more workers file for benefits and states shift resources from detecting and recovering improper payments to processing claims. The Department exceeded its target goal of identifying and establishing for recovery UI overpayments in FY 2009. However, the adequacy of systems operated by State Workforce Agencies to recover identified overpayments remains in question.

Objective/Key Question: Do State Workforce Agencies have adequate controls and systems in place to recover UC overpayments in a timely manner?

State Unemployment Insurance Administrative, Support, and Technical Costs

Director: Yarbrough

Background: The Department annually awards grants to the State Workforce Agencies to pay the administrative, support, and technical costs (AS&T) of administering Federal and state unemployment insurance programs. The Department of Labor's Division of Cost Determination negotiates state indirect cost agreements to cover these costs and periodically reviews costs charged to DOL by its grantees under those agreements. Prior OIG audits of state indirect costs found states that improperly charged millions of dollars of state program costs to its DOL grant award indirect cost pool.

Objective/Key Question: Are the states' methodologies for allocating AS&T costs to projects/programs and recovering such indirect costs charged to the Unemployment Insurance reasonable, allocable, and otherwise allowable under the Federal cost principles set forth in OMB Circular A-87, Cost Principles for State, Local and Tribal Governments?

Fiscal Controls Surrounding the Payment of Transportation Expenses to Federal Employees' Compensation Act (FECA) Claimants

Director: Hill

Background: OIG has investigated FECA claimants' travel reimbursements, and uncovered thousands of dollars of false mileage claims. OIG found instances of claimants who submitted travel vouchers for medical visits that never occurred, as well as overstated travel mileage for medical visits. FECA does not routinely reconcile medical provider invoices to claimant mileage reimbursement claims. Relevant regulations state that 50 miles is a reasonable travel distance, but OIG found that OWCP's third party contractor who processes voucher payments did not verify any claims less than 500 miles.

Objective/Key Question: To what extent are FECA claimants submitting travel reimbursement vouchers (1) for dates of service that never occurred, or (2) overstating their travel mileage?

Improper Federal Employees' Compensation Act (FECA) Payments

Director: Hill

Background: *The Improper Payments Elimination and Recovery Act of 2010* requires Federal agencies to use more incentive-based audit techniques to identify duplicative payments, funds for services not rendered, and overpayments. In 2008, the Government Accountability Office (GAO)

reviewed claims files for Office of Workers' Compensation Programs (OWCP) 2006 overpayments. GAO found that, in about 6 percent of the cases, OWCP is not notified, in a timely manner, of the death of benefit claimants or their survivors. OIG previously reported that OWCP was not always timely in following up on client re-employment reports and lacked procedures for identifying non-citizen, and deceased, claimants. OIG last audited FECA payments for accuracy in 2001.

Objective/Key Question: What are OWCP's efforts to proactively identify improper FECA compensation and medical payments and are they effective?

Federal Employees' Compensation Act (FECA) Program: Durable Medical Equipment Payments

Director: Hill Ongoing

Background: The *Federal Employees' Compensation Act (FECA)* provides benefits for about three million Federal civilian and Postal employees who have suffered work-related injuries, death, or occupational diseases. The Department of Labor's Office of Workers' Compensation Programs (OWCP) administers claims under the FECA program. FECA benefits include payment of medical expenses, compensation for wage losses, and the costs for durable medical equipment. It is estimated that FECA spends \$2 billion annually in compensation associated workplace illnesses, injuries, and deaths, but expenditures for durable medical equipment and supplies are unknown. While the DOL OIG has not previously audited durable medical equipment expenditures, other state and Federal agencies have identified issues related to cost containment and fraud.

Objective/Key Question: Does OWCP have adequate controls to prevent improper durable medical equipment payments?

Qualified Default Investment Alternatives

Director: McClane

Background: As of 2006, approximately one-third of eligible workers do not participate in their employers' 401(k)-type plans. Employers did not automatically enroll participants primarily due to fiduciary liabilities involved. *The Pension Protection Act (PPA) of 2006* removed barriers to employers adopting automatic enrollment in these plans. The DOL estimates the rule will result in between \$3.5 billion and \$6.7 billion in additional retirement savings annually. The DOL's Employee Benefits Security Administration issued a final rule in October 2007, which describes mechanisms for investing participant contributions. The intent is to ensure that an investment qualifying as a Qualified Default Investment Alternative is appropriate as a single investment capable of meeting a worker's long-term retirement savings needs. The final rule identifies two individually-based mechanisms and one group-based mechanism, and provides for a short-term investment for administrative convenience.

Objective/Key Question: Do EBSA's regulations on PPA's provisions for default investments and enforcement framework protect participants who are subject to Qualified Default Investment Alternatives?

EBSA Responsibilities Under the Patient Protection and Affordable Care Act (PPACA)

Director: McClane

Background: Under the *Patient Protection and Affordable Care Act (PPACA)* and the *Health Care and Education Reconciliation Act*, EBSA is required to issue implementing regulations within legislated timeframes to ensure that employers' health plans comply with both laws. The PPACA extends health insurance to an estimated additional 32 million Americans. Generally, this expansion is achieved through expanding Medicaid eligibility, subsidizing insurance premiums, prohibiting denial of coverage/claims based on pre-existing conditions, and establishing health insurance exchanges. Within legislated timeframes, EBSA, in cooperation with the Departments of Health and Human Services and Treasury, must issue regulations and guidance for employers on how to comply with the PPACA.

Objective/Key Question: Is EBSA developing regulations in accordance with PPACA timelines?

EBSA Oversight of Defined Benefit Plan Non-traditional Investments

Director: McClane

Background: EBSA is responsible for ensuring that pension plan sponsors/administrators meet their fiduciary duties in managing defined benefit pension plans subject to the *Employee Retirement Income Security Act (ERISA)*. One of the challenges facing EBSA is how to monitor defined benefit plans that are shifting their investments from traditional stocks and bonds to "alternatives" such as hedge funds and private equity. The growth of these "alternative" investments has raised concerns — mainly because they qualify for exemptions from Federal security regulations, and could pose greater risks to retirement assets than traditional investments.

Objective/Key Question: Has EBSA provided adequate oversight and guidance on fiduciary prudence with respect to Defined Benefit Plan investments?

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

OSHA Monitoring of State Plans

Director: Schwartz Ongoing

Background: Section 18 of the *Occupational Safety and Health Act (OSH Act)*, enacted in December 1970, encourages states to develop and operate their own job safety and health programs. Under its State Plan program, OSHA approves and monitors State plans and provides up to 50 percent of an approved plan's operating costs. For Fiscal Year 2010, OSHA's budget for its State Plan Program was \$106 million. DOL provided OSHA an additional \$3.8 million of Recovery Act funds for grants to State Plan states that can match Federal funding. There has been no Federal audit of OSHA's State Plan program since GAO issued a report in 1994. OSHA recently completed a special review of all state plan programs and found significant problems.

Objective/Key Question: Is OSHA fulfilling its role in investigating complaints of inadequacies in the administration of a state's program and requiring that states take the appropriate corrective action?

Mine Operator Rate of Serious and Substantial Citations and Orders Subsequent to MSHA Monitoring

Director: Allberry

Background: The Mine Act provides MSHA with enhanced enforcement authority for mines that demonstrate a "pattern of violations," focusing on significant and substantial violations. On five occasions from 2007 – 2009, MSHA used a Pattern of Violations Screening Criteria and a Scoring Model to analyze each mine's recent enforcement history. As a result, MSHA notified 68 mines that they displayed a potential pattern of violations. MSHA then monitored each mine's violations during a subsequent complete mine inspection to determine if the mine decreased its rate of significant and substantial violations below established improvement benchmarks. While most of these mines succeeded in reaching the improvement benchmarks, an OIG audit demonstrated that improvement levels eroded if the mines were evaluated over two additional inspection periods.

Objective/Key Question: What levels and trends in the rate of significant and substantial violations did mines demonstrate for the 2-year period following a notification from MSHA that they exhibited a potential pattern of violations?

MSHA's Assessment Collection Process

Director: Allberry

Background: The *MINER Act of 2006* and MSHA's emphasis on completing all required inspections has resulted in significant increases in both the total number and dollar amount of mine operator penalty assessments. In 2008, MSHA launched its "scofflaw operators" initiative to target mine operators with a poor civil payment history. While these efforts have produced a handful of large collections, it is unclear if they will lead to long-term improvements in MSHA's collection rate. Based on MSHA's historical collection rate, uncollected assessments could reach \$16 million for FY 2009. In addition to representing missing revenue, the uncollected penalty assessments provide no deterrent to the cited mine safety and health hazards.

Objective/Key Question: Does MSHA effectively (appropriately and consistently) and efficiently (timely) collect final civil penalties from mine operators?

Effectiveness of MSHA Laboratories

Director: Allberry

Background: MSHA operates laboratories in support of its mine inspection and accident investigation responsibilities. These laboratories (1) analyze various samples (e.g., rock dust, respirable metal/nonmetal and coal mine dust, gases, liquids, and solids) to determine if safety or health hazards exist in the mines, and (2) examine and test evidence obtained from mine fires

and explosions. Recent OIG audit work determined that MSHA's laboratories may lack sufficient procedures, performance metrics, or resources to adequately accomplish these duties.

Objective/Key Question: Are MSHA's laboratories providing timely and quality services in support of MSHA's inspection and investigative responsibilities?

MSHA's Oversight of Miner Training

Director: Allberry

Background: Federal regulations require that mine operators must have an MSHA-approved plan containing programs for training and retraining miners and workers whose assignments call for certification (e.g., electricians, mine foremen, pre-shift examiners, etc.). Operators must use MSHA-approved trainers, and maintain training records that are available to MSHA mine inspectors. In June 2010, MSHA records show that the agency had 148 overdue training plan reviews. MSHA's timely review, approval, and oversight of implementation of these training plans helps to assure that poor training does not contribute to miners' accidents, injuries, and fatalities.

Objective/Key Question: Does MSHA effectively review, approve, and monitor mine operators' required training plans?

OSHA Management Accountability Program

Director: Schwartz

Background: OSHA established its Management Accountability Program to improve the accountability and effectiveness of the agency's programs and operations. Recent OIG and GAO audits found that OSHA programs and operations should be improved. For example, in 2009, OIG reported that OSHA had not ensured that indifferent employers were appropriately designated and received enhanced enforcement actions. OIG's 2010 audit of OSHA's whistleblower protection program found weaknesses in accountability. While the Management Accountability Program requires each OSHA regional office to do comprehensive on-site audits, there were no formal management reports monitored at the national level, and reports used by regional managers varied in nature and focused more on timeliness than quality of investigations. In September 2010, OSHA updated the Management Accountability Program to address some previous audit findings and recommendations.

Objective/Key Question: Is OSHA's Management Accountability Program an effective internal control mechanism?

OSHA Outreach Training Program

Director: Schwartz

Background: OSHA's Outreach Training Program is part of the agency's \$73 million Federal compliance assistance activities. Outreach training is OSHA's primary way to instruct workers in the basics of occupational safety and health; in the last 6 years, more than 2 million workers have received it. As a result of industry-wide acceptance, outreach training has often become a

condition of employment. Consequently, the program has been subject to fraudulent activity. In response, OSHA has increased unannounced monitoring visits to verify that trainers are in compliance with program requirements. However, OSHA received complaints of inadequate Hazardous Waste Operation and Emergency Response Standard outreach training provided to supervisors for Gulf Coast oil spill cleanup. OSHA needs adequate internal controls to ensure that trainers are not falsifying information about the training or providing incomplete training.

Objectives/Key Questions: Is OSHA ensuring that its trainers are in compliance with program requirements? Is OSHA investigating and adjudicating complaints, and disciplining trainers who do not comply with program requirements?

OSHA Site Specific Targeting Program

Director: Schwartz

Background: The Site-Specific Targeting (SST) program, initiated in April 1999, is OSHA's main programmed inspection plan for non-construction worksites that have 40 or more employees. OSHA designed SST to direct enforcement resources toward industries and hazards where their impact could be greatest. To identify worksites for inspection, OSHA uses data from its prior year's Data Initiative survey. Prior OIG audits found fatalities occurred at worksites that OSHA should have included as part of the SST inspection but did not. OSHA may be basing its SST program injury rate calculation on inaccurate or incomplete information. In November 2002, GAO recommended OSHA strengthen the validity of the data used to identify worksites in the site-specific targeting program by addressing the data weaknesses identified in its report

Objectives/Key Questions: Does SST effectively target high-risk industries and establishments (i.e., high injury rates and/or fatalities)? Does OSHA conduct SST inspections in accordance with OSHA directives?

ILAB Grants to Curb Exploitive Child Labor Practices

Director: Katz

Background: Since 1995, DOL's Bureau of International Labor Affairs (ILAB) has awarded approximately \$720 million in grants to curb the practice of exploitive child labor. As a result of that funding, the Department estimates it has rescued approximately 1.3 million children from abusive practices. In September 2009, the Secretary of Labor announced that DOL would award grants totaling approximately \$59 million to selected organizations in 19 countries to assist with the elimination of exploitive child labor practices. The emphasis of ILAB's child labor elimination project is to monitor the work and school enrollment status of children involved with the program.

Objectives/Key Questions: Did grantees accomplish their objectives? How does ILAB determine the impact of its grants on curbing exploitive child labor practices in countries where funds were awarded?

Foreign Labor Certification Program for Temporary Non-Agricultural (H-2B) Workers

Director: Katz

Background: Under the Foreign Labor Certification (FLC) program for Temporary (H-2B) Workers, U.S. employers may hire skilled or unskilled foreign workers on a temporary basis. The Department's Office of Foreign Labor Certification (OFLC) in the Employment and Training Administration reviews and processes H-2B applications. Employers must show they made a good faith effort to employ U.S. workers capable of performing the temporary work. The Department certifies that hiring foreign workers will not adversely affect the wages and working conditions of similarly employed U.S. workers.

Objectives/Key Questions: What controls does OFLC have in place to ensure employers meet H-2B eligibility requirements including the requirement that employers demonstrate that they have made a good faith effort to hire U.S. workers. What controls does OFLC have in place to ensure the employers complied with the information on the applications? After employers have hired temporary H-2B workers, what controls does OFLC have to verify that the employer complied with program requirements?

OFCCP Enforcement of Vietnam Era Veterans Readjustment Act (VEVRAA)

Director: Katz

Background: The Office of Federal Contract Compliance Programs (OFCCP) enforces the contractual promise of affirmative action and equal employment opportunity required of those who do business with the Federal government. The *Vietnam Era Veterans Readjustment Act (VEVRAA)* requires that contractors and subcontractors with certain Federal contracts take affirmative action to employ and advance qualified veterans, which includes recently separated veterans. In order to reaffirm its commitment to ensuring contractor compliance with the VEVRAA, OFCCP's created the Good-Faith Initiative for Veterans Employment to recognize companies' good faith efforts and best practices to employ and advance covered veterans.

Objective/Key Question: Does OFCCP have adequate systems in place to ensure compliance with the requirements of the VEVRAA?

Office of Labor Management Standards (OLMS) Compliance Audit Program

Director: McClane

Background: The Office of Labor Management Standards (OLMS) is responsible for enforcing certain provisions of the *Labor-Management Reporting and Disclosure Act of 1959 (LMRDA)*. OLMS conducts compliance audits of all unions covered by LMRDA, and of Federal sector unions under the standards of conduct provisions of the *Civil Service Reform Act (CSRA)*. These audits are intended to monitor LMRDA compliance and uncover embezzlements and other criminal and civil violations of the law.

Objective/Key Question: Has OLMS evaluated the effectiveness of its Compliance Audit Program and its impact on safeguarding union fund assets?

GOAL: ASSIST DOL IN MAINTAINING AN EFFECTIVE MANAGEMENT PROCESS

Management of IT Hardware and Software

Director: Galayda Ongoing

The DOL spends \$500 million annually on maintaining and enhancing its systems hardware and software. OIG recently found DOL IT hardware had been reported stolen, was missing, and/or unaccounted for. Inventory of IT hardware and software is a new, 2010 OMB out-come focused metric for information security performance for Federal agencies, which is designed to push agencies to examine their risks and make substantial security improvements.

Objective/Key Question: Is DOL accounting for its authorized IT hardware and software through accurate and complete inventories?

Reports to Treasury on Back Wages and Civil Money Penalties

Director: Donovan Ongoing

Background: The Wage and Hour Division (WHD) submits quarterly reports to the Department of Treasury, Financial Management Services (FMS) on the status and value of receivables and debt collection activities for Back Wages and Civil Money Penalties (CMP). The accuracy and completeness of these reports is important to ensure that the value of accounts receivable is reported accurately to the Congress, OMB and FMS; delinquent debts are timely referred to the FMS in accordance with the *Debt Collection Improvement Act of 1996*; and WHD's decisions on collection activities are sound.

Objective/Key Question: Does WHD have sufficient internal controls to ensure the completeness and accuracy of data reported to the FMS for Back Wages and Civil Money Penalties?

Contract Awards and Modifications

Director: Katz

Background: Five Agencies within the Department of Labor have procurement authority. The Office of the Assistant Secretary for Administration and Management (OASAM), Office of Acquisition Management Services establishes policies and procedures for the Department's procurement offices. These offices negotiate, awards, and administer contracts. Procurements staff are required to comply with the *Federal Acquisition Regulation (FAR)* and DOL acquisition rules and requirements contained in the *Department of Labor Manual Series (DLMS)*. Ideally, these offices foster an environment that awards, through full and open competitions, contracts to vendors that offer the best value for the Federal government. Contract modifications account for a significant portion of total contracting dollars awarded by the Agencies. When processing and approving such modifications, staff must ensure that they are processed without circumventing procedures for ensuring full and open competition.

Objective/Key Question: Are DOL contracting practices for contract awards and modifications in accordance with Federal laws, regulations, and policies, supported by appropriate documentation, and consistent?

Compliance with the Prompt Payment Act

Director: Donovan

Background: With the Department of Labor's implementation of the New Core Financial Management System (NCFMS), certain subsystems directly related to the payment of obligations have reportedly not been able to process the agencies' obligations timely, resulting in incurring additional interest penalties pursuant to the *Prompt Payment Act*. As of July 2010, these penalties totaled approximately \$1.2 million, a significant increase from FY 2009.

Objectives/Key Questions: Is the NCFMS processing vendor payments accurately and timely? Are *Prompt Payment Act* interest calculations accurate and complete?

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. Currently, audits are planned for a High Growth Job Training Initiative recipient and a state Jobs for Veterans grantee.

Objectives/Key Question: Was the grant or contract awarded properly? 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.

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

CHAPTER 3
AMERICAN RECOVERY and REINVESTMENT ACT OF 2009 (RECOVERY ACT) AUDITS

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

Recovery Act: Services and Outcomes under Year-Round WIA Youth Program

Director: Donovan Ongoing

Background: The Recovery Act provided the Department of Labor with \$1.2 billion for *Workforce Investment Act* grants to states for youth activities. As of June 2010, the Employment and Training Administration reported that more than 379,000 young people had participated in Recovery Act-funded programs. The Recovery Act extended eligibility for WIA youth services to age 24 so local programs could serve “young adults who have become disconnected from both education and the labor market.” ETA’s TEGL No. 14-08 dated March 18, 2009, provides guidance on Recovery Act funding for activities authorized under WIA. The TEGL urges workforce boards to develop sector strategies for creating training and employment opportunities for WIA participants, including youth, in such sectors as renewable energy, broadband and telecommunications, health care, and high-demand industry sectors identified by local areas.

Objectives/Key Questions: How have local areas spent or how are they planning to spend their allocation of WIA youth formula funds? Who are the participants in year-round programs? What services are participants in the year-round program receiving? What are the outcomes for participants in the year-round program? To what extent are employers using the Work Opportunity Tax Credit to hire disconnected youth,” ages 16 to 24, as provided by the Recovery Act?

Recovery Act: WIA Competitive Grants for Energy Efficiency and Renewable Energy Sectors

Director: Schwartz

Background: The Recovery Act provided ETA with \$500 million in discretionary grant funds to prepare workers for jobs in high-growth and emerging sectors including efficiency and renewable energy sectors, e.g. “green jobs.” Effective administration of these grants is critical in light of Congressional intent in the Recovery Act. According to the President’s Council of Economic Advisers (CEA), the growth of the “green job” market is anticipated to continue to outstrip the growth of other markets. However, statistics about jobs in the energy sector are not currently available as jobs cross standard industry and occupation definitions. In FY 2010, the BLS launched an initiative to begin to measure and classify such jobs.

Objectives/Key Questions: How are grantees spending and planning to spend Recovery Act funds for energy efficiency and renewable energy industries? Who are the participants? Are participants securing training in the health and energy sectors and securing job placements in these sectors; if so, at what level of skill and compensation?

Recovery Act: Required Employment and Case Management Services under the Trade and Globalization Adjustment Assistance Act of 2009

Director: Donovan

Background: The Recovery Act reauthorized the *Trade Adjustment Assistance (TAA) Act* as the *Trade and Globalization Adjustment Assistance Act (TGAAA)*. Since 1974, the TAA program has provided training and benefits to eligible workers who lost jobs due to imports, outsourcing, and other trade policies. TGAAA requires states to provide eight specific employment and case management services to eligible workers, and authorizes additional funds to pay for these activities. Because states previously received no TAA program funds for case management, they had to cover costs for those services out of administrative funds or other sources such as WIA formula funds.

In June 2009, the ETA provided states with a supplemental distribution of more than \$455 million to implement new employment and case management services requirements in the TGAAA. However, implementation may pose challenges. When ETA conducted its Recovery Act “readiness” reviews, states and local areas specifically requested technical assistance on how to effectively implement the required case management services.

Objectives/Key Questions: Did states provide eligible workers with employment and case management services, as required by TGAAA? Did ETA conduct adequate technical assistance and oversight of states’ implementation of the TGAAA to provide assurance eligible workers received employment and case management services as required?

Recovery Act: Outcomes from WIA Training and Services to Adults and Dislocated Workers

Director: Donovan

Background: The Recovery Act provided the DOL \$500 million in additional *Workforce Investment Act* Adult program and \$1.25 billion in WIA Dislocated Worker program formula funds to award to states. ETA guidance requires that states spend these funds no later than June 30, 2011. To promote training of those most impacted by the recession, Congress included key provisions related to the states’ use of these additional WIA funds. For example, the Recovery Act requires that states give priority to serving public assistance recipients and other low-income individuals with additional WIA Adult formula program funds. Additionally, to expedite training participants for high-demand jobs, the Recovery Act allows local Workforce Investment Boards to contract directly with community colleges and other eligible providers, so long as these organizations can offer training — which does not interfere with customer choice — to multiple participants.

Objectives/Key Questions: How did states spend additional WIA formula funds from the Recovery Act for the WIA Adult and Dislocated Worker programs? Did states give public assistance recipients and low-income persons priority for services in the WIA Adult program, as required by the Recovery Act? What were the outcomes for adults and dislocated workers who received services with Recovery Act funds?

Recovery Act: Leveraging and Support for Registered Apprenticeship Programs

Director: Donovan

Background: The Recovery Act provided the ETA with \$500 million in additional WIA adult program, \$1.25 billion in additional dislocated worker program, and \$1.2 billion in additional youth program formula funds to award to states to support training and employment programs. Meanwhile, other Federal agencies, such as the Departments of Housing and Urban Development and Transportation, have provided billions of dollars in Recovery Act funds to states for transportation and construction projects that require skilled workers. While the Recovery Act does not require using additional WIA funds from the Recovery Act to prepare individuals for apprenticeship, ETA guidance urges states to link training and reemployment strategies to registered apprenticeship programs. According to ETA, registered apprenticeship programs provide “learn and earn” opportunities in 1,000 career areas. These include, but are not limited to, traditional industries such as construction, transportation, and manufacturing; as well as emerging sectors such as health care, information technology, energy, and telecommunications. Because apprenticeship provides career pathways and paid on-the-job training, the programs are attractive options for older, out-of-school youth and single parents (especially women) to prepare for long-term employment.

Objectives/Key Questions: To what extent did states spend additional WIA formula program funds under the Recovery Act to prepare jobseekers for registered apprenticeship programs? Who received pre-apprenticeship training and registered apprenticeship placements as a result of these programs?

Recovery Act: Outcomes from On-the-Job Training National Emergency Grants (NEG) funded under the Recovery Act

Director: Donovan

Background: In June 2010, the Secretary of Labor announced the award of \$75 million in Recovery Act funds for On-the-Job Training National Emergency Grants (OJT NEGs) to 41 states, the District of Columbia, and three federally recognized Native American tribes. According to ETA, OJT opportunities help dislocated workers develop new skill sets required to fill positions resulting from job creation due to Recovery Act infrastructure investments. OJT NEG grantees must spend the funds no later than June 30, 2012, and use them to partially reimburse the training costs incurred by participating employers. The grantees are required to submit an implementation plan to ETA describing how they will recruit participating employers and focus on dislocated workers with the greatest barriers to employment.

Objectives/Key Questions: Are OJT NEG grantees spending funds properly and according to ETA guidance? Who are the participants in the program, and what types of services do they receive? What are the outcomes? Are grantees using funds to focus OJT activities on dislocated workers with the greatest barriers to employment, as required by the implementation plan?

Use of Recovery Act Funds to Expand Senior Community Service Employment Program (SCSEP)

Director: Donovan

Background: The Recovery Act provided an additional \$120 million for current Senior Community Service Employment Program (SCSEP) grantees to supplement their Program Year 2009 funding. The SCSEP places eligible low-income persons 55 years and older in part-time community-service employment jobs at non-profits or government agencies. The goal of the program is to prepare older workers to enter or re-enter the workforce. The Recovery Act does not contain requirements for how grantees must spend the additional funds. However, ETA guidance states that the agency expects SCSEP grantees to use the extra resources to “expand the number of SCSEP participants assigned to community service work, especially in the growth industries emphasized in the Recovery Act (e.g., health care, child care, education, green jobs, energy efficiency and environmental services).” One of several challenges cited by ETA in its Recovery Act plan for the SCSEP was that both the legislation enabling SCSEP and the Recovery Act prohibit participants from doing work that was formerly done by a laid-off worker. Because many non-profit organizations and government agencies laid off workers due to the recession, SCSEP grantees may have faced difficulty placing participants.

Objectives/Key Questions: What services did SCSEP participants receive and what were the outcomes? Did grantees place participants in community service work related to growth industries emphasized in the Recovery Act as ETA advised?

GOAL: SAFEGUARD WORKERS’ AND RETIREES’ BENEFIT PROGRAMS

Recovery Act: DOL Coordination with Federal Infrastructure and Unemployment Insurance Investments

Director: Donovan

Background: The Recovery Act (RA) provided the Department of Labor with \$80 million for “Departmental Management” (DM) to support a range of enforcement, oversight and coordination activities to support achievement of the Recovery Act’s goals. Specifically, the Recovery Act mentions “coordination activities related to the infrastructure and unemployment insurance investments in this Act.” ETA issued Training and Employment Guidance Letter (TEGL) No. 14-08, encouraging states to align their WIA Recovery Act funds with other Recovery Act investments targeting key industries “such as construction, transportation, healthcare, and other industries with emerging ‘green’ jobs.”

Objectives/Key Questions: What planning efforts have the DOL, states, and local workforce investment areas undertaken to coordinate RA activities with federal infrastructure investments elsewhere in the RA? What projects have the states and local workforce investment areas undertaken in terms of spending DOL RA funds for workforce investments in support of federal infrastructure investments elsewhere in the RA?

Recovery Act: Reemployment Services for UI Claimants

Director: Donovan

Background: The Recovery Act provided \$400 million to states from the Employment Security Administration Account in the Unemployment Trust Fund. The Recovery Act requires, however, that states use \$250 million to provide reemployment services to Unemployment Insurance claimants. The legislation also requires the DOL to establish planning and reporting procedures necessary to provide oversight of funds used for the services.

Objectives/Key Questions: Did DOL establish sufficient and timely planning and reporting procedures to assure adequate oversight of how reemployment services funds are used? Did states use reemployment services funds, as intended? What were the outcomes?

GOAL: OPTIMIZE THE USE OF FUNDS APPROPRIATED FOR WORKER PROTECTION AND WORKPLACE SAFETY PROGRAMS***Recovery Act: Enforcement of Davis-Bacon Act Prevailing Wage Determinations under the Recovery Act***

Director: Donovan

Background: Section 1606 in Title XVI (General provisions) of the Recovery Act requires that workers on Recovery Act-funded construction projects, including those for weatherization, must be paid at least the prevailing wage, as determined under the *Davis-Bacon Act (DBA)*. Because the Recovery Act may increase the Federal share of infrastructure spending as much as \$104 billion (double the current level), the Wage and Hour Division (Wage and Hour) expects to double the number of DBA complaint investigations over the next 2 years — increasing from approximately 400 investigations to 800.

Objectives/Key Questions: Did Wage and Hour issue timely and reliable prevailing wage determinations? Did Wage and Hour conduct timely complaint investigations, and were those investigations conducted in accordance with applicable policy and regulations? Did Wage and Hour take the necessary actions (enforcement and compliance assistance/outreach) to adequately ensure Recovery Act-funded contractors and sub-contractors complied with the *Davis-Bacon Act*? What has been the impact of Wage and Hour's increased workload due to the Recovery Act on the program's ability to meet its other enforcement, compliance assistance, and outreach responsibilities?

Recovery Act: Enforcement of Federal Equal Employment Opportunity Laws

Director: Donovan

Background: The Office of Federal Contract Compliance Programs (OFCCP) enforces Federal laws that ban discrimination and require Federal contractors and subcontractors to take affirmative action to ensure equal opportunity for employment, regardless of race, gender, disability, color, religion, national origin, or status as a Vietnam era or special disabled veteran. Due to infrastructure investments under the Recovery Act, OFCCP expects to conduct an additional 450 compliance evaluations of supply and service and construction contracts. To

provide OFCCP with supplemental resources to carry out this monitoring, DOL transferred \$7.2 million from its Departmental Management funds under the Recovery Act to the program.

Objectives/Key Questions: What compliance evaluations has OFCCP conducted of contractors with Recovery Act funding, what were the results of those evaluations, and what enforcement actions have resulted? What pre-award reviews of supply and service contractors with Recovery Act funding has OFCCP conducted, and what were the results of those reviews? What outreach activities has OFCCP conducted for companies seeking government contracts and recent contract recipients under the Recovery Act, and what were the results of those outreach activities? What has been the impact of OFCCP's increased workload due to the Recovery Act on the program's ability to meet its regularly scheduled enforcement, compliance assistance, and outreach activities?

OSHA Activities under the Recovery Act

Director: Donovan

Background: The Department's initial operating plan for use of \$80 million in Departmental Management (DM) funds included transferring more than \$13.5 million to the Occupational Safety and Health Administration (OSHA) for enhanced inspection and enforcement activities. According to OSHA's Recovery Plan, the agency planned to use the additional funds to hire 76 FTE to conduct these activities. OSHA anticipated extra inspections and enforcement work in connection with Recovery Act-funded construction, transportation, and related projects. To help ensure worker health and safety on Recovery Act projects, OSHA stated that it planned to develop and implement local and national emphasis programs targeting Recovery Act-funded projects. However, according to OIG's review of DM Recovery Act obligation reports and operating plans submitted to Congress, as of August 13, 2010, OSHA had not obligated \$6.8 million or just more than half of the Recovery Act funds available to the agency to carry out additional inspection and enforcement activities.

Objectives/Key Questions: How much money did OSHA receive under the Recovery Act and how did the agency spend it? Did OSHA achieve its objectives for conducting additional inspections and enforcement activities, as described in its Recovery Act plan?

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