

U.S. Department of Labor

Office of Inspector General—Office of Audit



OFFICE OF AUDIT WORKPLAN FISCAL YEAR 2006

October 2005



MEMORANDUM FOR: DOL EXECUTIVE STAFF

FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Office of Audit Workplan

Attached for your information is the Office of Audit Workplan for FY 2006. As always, our planning objective was to optimize the use of limited audit resources in fulfilling our responsibilities. Mandatory audits include the annual audit of the Department's financial statements as required by the *Chief Financial Officers Act* and IT security audits pursuant to the *Federal Information Security Management Act*. Additionally, our responsibilities include carrying out a discretionary program of financial and performance audits consistent with our mission under the OIG's authorizing legislation, the *Inspector General Act*, as amended.

Every year in determining our discretionary program, we identify and prioritize projects in areas of highest risk and/or with the highest potential for supporting the Department's mission and strategic goals. Important to our planning process are our consultations with members of the Department's Executive staff, through which I share the results of our risk analysis and ask for your ideas and priorities and projects. These meetings have been productive. Additionally, I invite you to discuss with me at any time your thoughts on how the Office of Audit can support the mission of programs you manage.

As this Workplan was finalized, the Office of Audit's plan to provide oversight over the Department's activities in response to hurricanes Katrina and Rita was unfolding. We expect that there may be significant shifts in resources as our plans to audit the Department's hurricane relief policies and programs are finalized.

If you have any questions about the FY 2006 Workplan, please do not hesitate to contact me on (202) 693-5170.

Attachment

FOREWORD

The Office of Inspector General (OIG), Office of Audit (OA), is pleased to present its Workplan for FY 2006.

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

As this Workplan was finalized, the Office of Audit's plan to provide oversight over the Department's activities in response to hurricanes Katrina and Rita was unfolding. We expect that there will be significant shifts in resources from the Workplan as audits of the Department's hurricane relief policies and programs are finalized.

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.

TABLE OF CONTENTS

	<u>Page</u>
OFFICE ABBREVIATIONS	2
INTRODUCTION	3
CHAPTER I	
Mandatory Audits	6
<i>Goal: Optimize the Use of Funds Appropriated for</i>	6
<i>Training and Employment Programs</i>	
<i>Goal: Safeguard Workers’ and Retirees’ Benefit Programs</i>	6
<i>Goal: Optimize the Use of Funds Appropriated for Worker</i>	7
<i>Protection and Workplace Safety Programs</i>	
<i>Goal: Assist DOL in Maintaining an Effective Management Process</i>	7
CHAPTER II	
Discretionary Projects	10
<i>Goal: Optimize the Use of Funds Appropriated for</i>	10
<i>Training and Employment Programs</i>	
<i>Goal: Safeguard Workers’ and Retirees’ Benefit Programs</i>	19
<i>Goal: Optimize the Use of Funds Appropriated for Worker</i>	23
<i>Protection and Workplace Safety Programs</i>	
<i>Goal: Assist DOL in Maintaining an Effective Management Process</i>	25
APPENDIX	
Appendix A – OA Inventory of Discretionary Projects	29

OFFICE ABBREVIATIONS

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

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 efforts, which are ongoing throughout the year. These placeholder project descriptions 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. This past spring the Assistant Inspector General for Audit (AIGA) met with the Deputy Secretary and several Agency heads to review the OA's risk analysis and ask for their ideas and priorities for projects. During the summer, OA managers submitted proposed discretionary projects. A subgroup of managers then rated the projects using factors including the adverse impact and likelihood of the risk related to the DOL program or operation the proposal is designed to audit. OA managers reviewed the

prioritized list of projects and, based on available resources, selected projects for inclusion in the annual workplan.

Projects that were prioritized but for which we do not have current resources are listed in the Appendix.

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.

SURVEYS and AUDITS

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

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

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

PROJECT SUMMARIES

The Workplan describes planned work as well as ongoing projects. For mandatory audits, project summaries include a description of the audit, the assigned OIG audit office, and planned start and completion dates. Discretionary project summaries describe the activity and objectives, list the assigned office, indicate whether the project has been approved for the survey or audit phase, and show anticipated start and completion dates. Because surveys may or may not proceed to audit, depending on their results, it is often difficult to predict their completion dates. Accordingly, projects in the survey phase will usually indicate an anticipated completion date of “TBD” (to be determined).

CHAPTER 1

MANDATORY AUDITS

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

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

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

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

Job Corps Center Financial and Performance Operations

Office: JCA Phase: Audit Start: 04/06 Completion: 11/06

The *Workforce Investment Act of 1998* (P. L. 105-220) Section 159 (b), (2) requires audits of Job Corps operators and service providers every 3 years. There are approximately 90 contractor-operated and 28 Federally operated centers. Through our audit of Job Corps operators and service providers, each Center will receive audit coverage. Each year the OIG conducts performance audits of Job Corps Center (JCC) operating costs to determine if Job Corps contractors complied with laws, regulations, and Job Corps policies and procedures related to center operating costs for the prior fiscal year. Specific areas evaluated at each center include general and financial procedures, center staff payroll costs, non-personnel costs, and accountable non-capitalized personal property.

GOAL: SAFEGUARD WORKERS' AND RETIREES' BENEFIT PROGRAMS

Longshore & DC Compensation Act Trust Fund Financial Statement Audits

Office: OAA Phase: Audit Start: 12/05 Completion: 11/06

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 the current year in accordance with generally accepted auditing standards and *Government Auditing Standards*. OAA will monitor the IPA conducting this audit. Planning for next year's audit will start immediately following the issuance of the current year report.

Federal Employees' Compensation Act (FECA) Special Benefit Fund

Office: OAA Phase: Audit Start: 12/05 Completion: 11/06

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 2006, 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. Planning for next year's audit will start immediately following the issuance of the current year report.

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

Audit of ILAB's Mine Safety Project

Office: NAEO Phase: Audit Start: 08/06 Completion: TBD

Background: The U.S. Agency for Internal Development (AID) transferred \$1.5 million to DOL's Bureau of International Labor Affairs (ILAB) to support ILAB's Ukraine Coal Mine Safety Program. The Memorandum of Agreement (MOA) between the two Federal Agencies stipulates that, in accordance with the FY 2003 AID Appropriation, DOL's OIG will perform program and financial audits to ensure funds were appropriately spent and that desired results were obtained.

GOAL: ASSIST DOL IN MAINTAINING AN EFFECTIVE MANAGEMENT PROCESS

DOL Consolidated Financial Statement Audit

Office: OAA Phase: Audit Start: 12/05 Completion: 11/06

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 for the current year in accordance with the 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 DOL consolidated

financial statements. OAA staff will monitor this work. Planning for next year's audit will start immediately following the issuance of the current year report.

Governmentwide Single Audit Initiative

Office: NAEO Phase: Audit Start: Ongoing Completion: 09/06

Background: The DOL OIG will continue to participate in a governmentwide effort to perform quality control reviews (QCRs) of a statistical sample of audits of Federal grants subject to the *Single Audit Act*. Auditors of the governmentwide Consolidated Financial Statements will review the results of the QCRs to determine if they can rely on audits conducted under the *Single Audit Act* when opining on the governmentwide statements. DOL OIG will conduct quality control reviews (QCRs) on a sample of Federal grants assigned to DOL by the National Sampling Plan Project. DOL is the cognizant agency for the assigned Federal grants. The objective of the QCRs is to determine if the audits of the selected Federal grants meet general audit standards and specific Federal requirements for audits of Federal grants under the *Single Audit Act*.

Single Audit Compliance

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

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 workpapers 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 done; and (4) determine if the issues identified in the report should be brought to the attention of the appropriate DOL funding agency or agencies. Where desk reviews identify problems, we issue reports to the DOL funding agency or agencies. Single audit quality control work is ongoing throughout the fiscal year.

General Application and Security Controls Review of DOL Financial Systems

Office: OITA Phase: Audit Start: 10/05 Completion: 10/06

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 whether security, general and application controls for selected financial systems are properly designed and operating effectively.

FISMA Audits of DOL Mission-Critical Information Systems

Office: OITA

Phase: Audit

Start: 10/05

Completion: 09/06

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 85 FISMA covered information systems. The OIG will prioritize the DOL systems based on risk, and perform FISMA audits to determine the adequacy of selected systems' security programs, controls and practices, and conclude on the overall effectiveness of the Department's security program.

<p>CHAPTER 2 DISCRETIONARY PROJECTS</p>

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

National Emergency Grants (NEG) and Job Training Grants for Katrina Disaster Recovery

Office: Dallas Phase: Audit Start: 10/05 Completion: TBD

Background: ETA has awarded \$191 million in National Emergency Grants (NEGs) and \$12 million in job training grants to Louisiana, Alabama, Texas, and Mississippi. States will use the funds to provide temporary jobs for displaced residents and train workers for jobs in industries to support recovery and rebuilding efforts (i.e., construction, transportation, health care). Despite the immediate income and employment benefits they provide, the funds carry risks related to improper administration and oversight. These include ensuring that worksites and temporary jobs supported by the funds reflect the state-submitted plans, temporary workers do not perform work or services that a worksite's regular employees do, and that states obtain waivers for departure from statutory or regulatory requirements (i.e., exceeding the \$12,000 limit for wages/fringe benefits, limiting temporary jobs to 6 months).

Objective/Key questions: Have states properly followed their state-submitted plans in administering funds received under NEGs and job training grants related to Hurricane Katrina? Did ETA provide adequate oversight and monitoring of these emergency funds?

TAA Program Administration by the State Workforce Agencies (SWAs)

Office: Philadelphia Phase: Survey Start: 03/05 Completion: TBD

Background: The Employment and Training Administration (ETA) is concerned that SWAs may not be complying with ETA guidance and are still obligating up-front the total amount of the costs for long-term training. This could result in funds not being available for new services

Objective/Key Question: Are SWAs complying with ETA requirements concerning the obligation of TAA funds for training?

Incumbent Workers under WIA

Office: Atlanta Phase: Audit Start: 02/06 Completion: TBD

Background: Training for incumbent workers is specifically authorized as a Statewide Workforce Investment Activity under the *Workforce Investment Act (WIA)*. States may spend up to 15 percent of WIA Title I-B funds for a variety of statewide activities, including incumbent worker training. Incumbent worker training is developed with an employer or employer association to upgrade skills of a particular workforce.

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

City of Atlanta Department of Labor Programs

Office: Atlanta Phase: Survey Start: 06/05 Completion: TBD

Background: A 2002 Single Audit for the City of Atlanta gave an adverse opinion on Department of Labor WIA and Welfare-to-Work (WtW) funds, the only Federal funds that received such an opinion during the audit period. The findings ranged from poor cash management, eligibility, and procurement to noncompliance with earmarking requirements.

Objective/Key Questions: What impact did poor cash management practices have on the DOL funds? Were participants in the WtW and WIA programs eligible for services offered through the DOL programs? To what extent were DOL funds used for unallowable costs?

WIA State Set-Aside Fund Utilization

Office: New York Phase: Survey Start 10/05 Completion: TBD

Background: The Workforce Investment Act (WIA) allows each state to set aside 15 percent of its funds for statewide Youth, Adult and Dislocated Worker activities and no more than 25 percent of Dislocated Worker funds for statewide rapid response. However, in Program Year (PY) 2003, the states' carry-in dollars for these set-aside funds equaled \$611 million, or 44 percent, of the total carry-in for all WIA programs combined. States may be holding an excessive amount of funds. As a result, target populations may not be receiving services due to lack of local funding.

Objective/Key Questions: What are the cause(s) of states' underspending statewide activity and rapid response funds? What impact does underspending have on the overall program and the target population?

WIA 4th Quarter Spending

Office: New York Phase: Survey Start: 05/05 Completion: TBD

Background: State WIA expenditures reported for the Adult, Dislocated Worker, and Youth programs increased dramatically in the last quarters of Program Years 2001 and 2002. Since services provided under the Adult and Dislocated Worker programs are expected to be relatively consistent throughout the year, expenditures should not vary disproportionately between quarters. Possible causes of this increase include the reporting of obligations as accrued expenditures, the lack of administrative systems, expenditure transfers, nonuse of accrual accounting for reporting, and service providers submitting untimely invoices. ETA relies on states' expenditure reports and performance data to evaluate whether WIA programs are performing effectively and efficiently. Therefore, financial information from the states must be current, accurate, and complete.

Objective/Key Questions: What are the causes and impacts of the disproportionate increase in reported expenditures at the end of the program year?

Reliability of ACS Performance Reporting

Office: Dallas Phase: Survey Start: 01/06 Completion: TBD

Background: The OIG has received allegations that Affiliated Computer Services (ACS), responsible for operating over 100 One-Stop centers under contracts with local Workforce Boards, falsely manipulates its performance reporting for WIA funded services.

Objective/Key Questions: Does ACS's reporting of WIA outcomes under its One-Stop operations contract(s) accurately reflect program performance? What is the vulnerability of individual ACS contracts to manipulation of performance reporting?

WIA Section 188 and One-Stop Centers

Office: Atlanta Phase: Survey Start: 05/06 Completion: TBD

Background: The Workforce Investment Act (WIA) mandates that Vocational Rehabilitation services be partners in One-Stop delivery systems. However, WIA section 188 regulations state it is unlawful for One-Stop delivery systems to rely on such agencies alone to provide services to jobseekers with disabilities. The WIA One-Stop system cannot require individuals with disabilities to participate in special programs such as Vocational Rehabilitation programs, but must make accommodations and remove barriers so they can use the same programs offered to those without disabilities.

Objective/Key questions: Does the WIA One-Stop system provide accommodations to jobseekers with disabilities so they can adequately access WIA programs and services? Do disabled One-Stop users face barriers when trying to use the services provided? Are WIA One-Stop staff qualified to adequately help disabled users?

Financial and Compliance Audit of Worksystems, Inc.

Office: San Francisco Phase: Survey Start: 12/05 Completion: TBD

Background: Worksystems, Inc., in Portland, Oregon, a grantee in ETA's Region 6, receives over \$18 million per year. ETA has found inadequate documentation of expenditures, a lack of financial and programmatic policies and procedures, and no fiscal monitoring of the grantee's subrecipients. In addition, Worksystems, Inc., received a qualified opinion in its fiscal year 2003 single audit report, which included material weaknesses in the major Federal programs and undeterminable questioned costs.

Objective/Key Questions: Are Worksystems, Inc.'s, grant costs accurate, allowable, and allocable? Did Worksystems, Inc.'s, comply with applicable laws and regulations? Are Worksystems, Inc.'s, program data accurate?

Accuracy of WIA Participant Enrollment and Exit Data

Office: Dallas Phase: Survey Start: 11/05 Completion: TBD

Background: The OIG has received allegations that some One-Stop operators purposely take applications from participants, provide limited services to them, but do not process the participant's enrollment papers until the One-Stop has determined through wage file inquiries that the person has obtained employment. Allegedly, the operators then enter the participant's enrollment information and an exit date, which ensures that the One-Stop obtains a positive outcome based on the quarter in which the participant's wages occurred.

Objective/Key Question: Are One-Stop operators accurately documenting participant enrollments and exits?

State Implementation of WIA Data Validation

Office: Philadelphia Phase: Survey: Start: 11/05 Completion: TBD

Background: ETA requires that states and grantees receiving DOL funding submit reports or participant records to ETA 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?

WIA Adult and Dislocated Worker Performance Reporting

Office: Dallas Phase: Survey Start: 08/06 Completion: TBD

Background: WIA formula grants to states under the Workforce Investment Act (WIA) support activities to place and train adults and dislocated workers. In PY 2004, states received about \$900 million for adult programs and another \$1.4 billion for dislocated worker programs. GAO recently reported that little is known on a national level about those being trained because of weaknesses in the WIA Standard Record Data (WIASRD) database. Prior OIG audits of WIA youth programs found that outcomes were significantly inflated.

Objective/Key Questions: 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 Workforce Investment Act Standard Record Data system supported by source records?

Followup on Dislocated Worker Program Outcomes

Office: New York Phase: Survey Start: 04/06 Completion: TBD

Background: OIG previously issued an audit report on services provided and outcomes obtained for participants enrolled in the WIA Dislocated Worker Program in PY 2000. We found that, at

any point between 12 and 18 months after registering in the program or being laid off, two thirds of participants were employed, which is lower than the reported entered employment rate of nearly 80 percent. We also found that 45 percent of participants returned to their previous industries or occupations, and there were statistical differences in employment outcomes based on participant characteristics, such as age, education level, and tenure with layoff employer.

Objective/Key Questions: What are the current employment status and earnings of participants? Did participants return to their previous industries or occupations, and did specific attributes have an impact on obtaining employment, job retention and earnings replacement?

Financial and Compliance Audit of the San Diego Workforce Partnership, Inc.

Office: San Francisco Phase: Survey Start: 06/05 Completion: TBD

Background: The San Diego Workforce Partnership, Inc. (SDWP) receives over \$46 million per year in DOL funds. When ETA last reviewed the grantee, the agency found significant financial and program issues and asked OIG for audit assistance. Some of ETA's concerns include the independence of the single audit firm, unallowable costs from a relocation, and questionable expenditures (e.g., advertising, public relations) being charged to the cost pool for the calculation of the indirect cost rate.

Objective/Key questions: Are SDWP grant costs accurate, allowable and allocable? Did SDWP comply with applicable laws and regulations? Are SDWP program data accurate?

Effectiveness of WIA in Providing Training that Results in Jobs in Demand Occupations

Office: Dallas Phase: Survey Start: 07/05 Completion: TBD

Background: The WIA Sec. 134(d)(4)(G)(iii) requires that local Workforce Investment Boards (WIBs) provide participants with training options that will lead to employment in demand occupations. However, a prior OIG report on Individual Training Accounts (ITAs) found that fewer participants were receiving vocational training under WIA than under the predecessor Job Training Partnership Act.

Objective/Key Questions: How have local workforce boards determined demand occupations for their service areas? How have the states developed and maintained lists of state-certified eligible training providers? Is WIA training being provided only in occupations in demand in the local area or in another or nearby area to which workers are willing to relocate? Did participants who received vocational training obtain employment in a training-related occupation?

WIA Discretionary Grant Program Effectiveness

Office: Dallas Phase: Survey Start: 04/05 Completion: TBD

Background: ETA awards millions of dollars annually for discretionary grant programs. These grants are typically awarded in small amounts to a large numbers of grantees. Many are demonstration grants intended to provide ETA with information on how to improve its programs.

Discretionary grant programs may have fewer restrictions or requirements than other ETA programs.

Objective/Key Questions: Did ETA discretionary grant programs deliver the services they promised in the statement of work for which the grant was awarded, or was the scope changed after award? What was the outcome of these awarded grants? What has ETA done with the results of these discretionary grants?

President's High Growth Job Training Initiative

Office: San Francisco Phase: Survey Start: 10/05 Completion: TBD

Background: Since 2003, ETA has awarded approximately \$100 million under the President's High Growth Job Training Initiative to 47 public-private partnerships to help workers prepare for and find jobs in emerging industries. To date, DOL has not proposed performance measures to assess the program's effectiveness. As ETA increases investments in similar efforts, such as the Community College Training Initiative (funded at \$250 Million in FY 2005), the Department should ensure that the high growth job training initiative is achieving its intended outcomes.

Objectives/Key questions: Is the ETA effective in identifying high growth industries and occupations? Is ETA effectively developing partnerships to build a successful, "demand-driven" workforce development system? Does ETA conduct adequate oversight of the expenditures under the 47 partnerships it funds? How does ETA evaluate and measure the performance outcomes of these partnerships?

ETA Grant Accountability

Office: NAEO Phase: Survey Start: 12/04 Completion: TBD

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

Objective/Key Questions: Is ETA's guidance for improving grant accountability adequate? What is ETA's progress in implementing its revised guidelines, and how effective have they been in improving grant accountability?

National Emergency Grant (NEG) Expenditures

Office: New York Phase: Survey Start: 07/06 Completion: TBD

Background: National Emergency Grant (NEG) funds are authorized under the Workforce Investment Act to provide supplemental funds to respond to the needs of dislocated workers and communities affected by major economic dislocations that could not be met with formula

allotments. During 2000-2002, ETA awarded over \$418 million in NEG's to the 50 states and Puerto Rico. At the end of 2004, however, states reported expenditures of only about \$311 million—leaving approximately 26 percent of their funds unspent.

Objective/Key questions: What is the cause of underspending of NEG funds? Does ETA disburse funds to areas and organizations in need? Are NEG's recipients using these funds according to Federal regulations? Do grantees report expenditures and program information that accurately reflect the grant performance?

New York City (NYC) Consortium for Worker Education (CWE) Earmark Grant

Office: New York Phase: Survey Start: 10/05 Completion: TBD

Background: The New York City Consortium for Worker Education (NYC CWE) received a \$32.5 million earmark grant in 2002 to establish the Emergency Employment Clearinghouse to provide services to workers who were displaced directly or indirectly by September 11 events. CWE's grant could have potentially served over 300 participants (NYC CWE estimated that the September 11 tragedy affected 80,000 workers). However, two grant extensions suggest that the grant did not achieve its goals and that NYC CWE had difficulty spending the funds properly.

Objective/Key questions: Did NYC CWE establish the Emergency Employment Clearinghouse and serve participants and employers who were negatively impacted by September 11, 2001? What were the outcomes for participants (i.e., training, upgraded skills, placement, promotions, retention, wages, etc.) and employers (i.e., hiring, retention of staff, increased sales, production efficiencies, etc.)? Were reported costs allowable under applicable Federal requirements?

Monitoring Faith-Based and Community Organization Grantees

Office: Chicago Phase: Survey Start: 03/06 Completion: TBD

Background: DOL's Center for Faith-Based and Community Initiatives ensures that faith-based and community organizations (FBCOs) have equal opportunity to compete for Federal funding, as outlined in the President's Executive Order. DOL has set aside specific allotments of grant funds solely for FBCOs and awarded over 400 grants totaling over \$200 million to them from FY 2002 through 2004. However, many FBCOs may lack the administrative capacity to successfully manage the grants. Prior OIG audits found that small or first-time grantees, such as many FBCOs, are often not adequately equipped to comply with Federal grant requirements.

Objective/Key Questions: What has DOL done to ensure that FBCO grant recipients effectively accomplish grant goals and properly account for grant funds?

District of Columbia Youth Opportunity Grants

Office: NAEO Phase: Audit Start: 11/05 Completion: TBD

Background: ETA awarded the District of Columbia's Department of Employment Service (DOES) a 5-year, \$32 million Youth Opportunity Grant (YOG). DOES noncompetitively awarded the funds to eight service providers, requiring submission of an annual A-133 Single Audit report as a condition of the subgrant. An OIG survey found that DOES had no procedures

in place to obtain these reports, and some of the YOG subgrantees did not submit them as required. Yet, DOES has renewed the subgrants with seven of the eight service providers annually, without consideration of performance.

Objective/Key Questions: Were costs claimed by the subgrantees reasonable, allowable, and allocable under applicable cost principles, and within the terms and conditions of the subgrant agreement? Were participants served eligible for the program? Were reported subgrantee performance outcomes accurate and valid?

Reliability of Job Corps Placement Outcomes

Office: San Francisco Phase: Survey Start: 12/05 Completion: TBD

Background: The ultimate goal of the Job Corps program is placement (jobs, military, advanced education) for each student. Career Transitions Service (CTS) providers submit placement data that is verified and collected by third party contractor, DIR/Battelle. Reliable placement data are important because Job Corps and other stakeholders use such data to make funding and operating decisions, including contract awards and incentive fees paid to CTS providers. Prior OIG audits and investigations have identified problems with placement data reported by certain contractors and have identified Job Corps' weak management controls over performance data, including placements.

Objective/Key Questions: Are Job Corps' reported placement outcomes reliable and valid? Are the processes used to ensure the reliability and validity of reported placement outcomes effective?

Job Corps Management of Capital Assets

Office: Philadelphia Phase: Survey Start: 01/06 Completion: TBD

Background: In FY 2004, Job Corps received over \$130 million for the construction, rehabilitation and acquisition of Job Corps centers. Job Corps must effectively manage its portfolio of capital assets to ensure these funds are wisely invested. OMB Circular A-11, Section 300 provides policy for planning, budgeting, acquisition, and management of Federal capital assets. OMB also added property management to the President's Management Agenda in FY 2004.

Objective/Key Questions: Is Job Corps complying with OMB Circular A-11 requirements in the planning, budgeting, acquisition, and management of DOL Job Corps centers capital assets?

Procurement of Job Corps Construction Contracts

Office: Philadelphia Phase: Survey Start: 01/06 Completion: TBD

Background: In fiscal year 2004, Job Corps spent more than \$100 million on major construction contracts for work at over 90 Job Corps centers. Job Corps' Division of Budget and Facilities Support (DBFS) is responsible for awarding and overseeing the construction contracts, but uses a contractor to perform its project management functions. However, DBFS must comply with the Federal Acquisition Regulations (FAR) and DOL requirements in awarding and managing these

construction contracts, and ensure that project management contractors comply with contract requirements and follow good business practices.

Objective/Key Questions: Is ETA complying with FAR requirements in its procurement of Job Corps construction contracts?

Effectiveness of VETS Grant Programs

Office: NAEO Phase: Survey Start: 11/05 Completion: TBD

Background: Two DOL VETS grant programs provide local workforce services to veterans: the Disabled Veteran Outreach Program (DVOP) and the Local Veterans Employment Representative (LVER) Program. Individual states administer the programs, based on the structure and management of the One-Stop system chosen by individual states. The *Jobs for Veterans Act of 2002* established a priority of services requirement applicable to all DOL programs offering employment and training related services. Specifically, new reporting requirements were established to account for representation of veterans in programs in proportion to incidence of their representation in the labor market.

Objective/Key Questions: Do the One-Stops provide priority of service and effective employment and training services for covered individuals?

Performance Audit on the Effectiveness of the Homeless Veterans' Reintegration Program (HVRP)

Office: Atlanta Phase: Survey Start: 05/06 Completion: TBD

Background: The Homeless Veterans' Reintegration Program (HVRP) provides funding for employment and training services for homeless veterans. As many as 250,000 veterans may be homeless on any given day; many other veterans are considered at risk for homelessness because of substance abuse and mental illness, poverty, lack of social support, and inadequate housing. GAO reported that HVRP grantees achieved a 59 percent retention rate at 90 days; however, the rate dropped to 35 percent at 180 days. The program requires strong controls to ensure that veterans completing the program will secure long-term and stable employment in order to avoid poverty and homelessness.

Objective/Key questions: What is the effectiveness of the Homeless Veterans' Reintegration Program (HVRP) as measured by outcomes related to job placement and retention? Why does job retention drop after 180 days following completion of the program?

ODEP Grant Programs

Office: NAEO Phase: Survey Start: 01/06 Completion: TBD

Background: DOL established the Office of Disability Employment Policy (ODEP) in FY 2002 to implement the employment-related provisions of the President's New Freedom Initiative to help Americans with disabilities engage in productive work. To date, ODEP has awarded more than \$61 million in competitive grants and contracts to support the New Freedom Initiative.

Since ODEP is a fairly new organization that has never been audited, the inherent risk is high and early detection of problems can prevent waste and abuse of Federal funds.

Objective/Key Questions: Are ODEP program objectives being achieved? Are program data valid and reliable? Were grant and contract funds spent according to applicable laws and regulations?

GOAL: SAFEGUARD WORKERS' AND RETIREES' BENEFIT PROGRAMS

Grants to Help States Process Unemployment Insurance Claims Related to Hurricane Katrina

Office: Dallas Phase: Audit Start: 10/05 Completion: TBD

Background: The Department of Labor has awarded \$30.8 million in grants to Louisiana, Mississippi, Alabama, and Texas to expand their capacity to process claims and expedite unemployment insurance (UI) and Disaster Unemployment Assistance (DUA) payments for those left unemployed as a result of the hurricane. The destruction of businesses and records for employer and employee identification increases the risk that states will be unable to confirm the nonmonetary eligibility of new claimants. Examples of other vulnerabilities include uncertainty about how change of address for benefits checks will be handled and whether states may hire temporary workers, unfamiliar with the UI system, to help process claims.

Objective/Key questions: Were UI and DUA benefits paid to eligible individuals? Did states use the grants for processing UI and DUA claims and payments according to regulations and the grant agreements?

ETA's Compliance with Qualifying Experience Requirements of FLC Program

Office: Dallas Phase: Survey: Start: 03/06 Completion: TBD

Background: Under the qualifying experience requirement of the Foreign Labor Certification (FLC) program, an employer cannot hire a foreign worker with less training or experience than an available U. S. jobseeker. The employer must submit a report showing the number of U.S. jobseekers rejected for the position and the reasons for rejection. The law considers a U.S. worker "qualified" if he or she can gain the necessary skills for the position during a reasonable period of on-the-job training. However, some employers may be hiring unqualified foreign workers, training them on the job, and illegally rejecting qualified U.S. jobseekers. One OIG audit found that 67 percent of the foreign workers already worked for the employer at the time of the employer's application.

Objective/Key questions: Is ETA enforcing the qualifying experience requirements of the FLC program to allow U.S. workers to compete for the jobs?

Effects of the Temporary Labor Certification Program on the U.S Labor Market

Office: Dallas Phase: Survey: Start: 03/06 Completion: TBD

Background: The H-1B temporary labor certification program allows an employer to temporarily employ a foreign worker in the U.S. on a nonimmigrant basis in a specialty

occupation or as a fashion model of distinguished merit and ability. The employer must determine, through the State Workforce Agency or other appropriate means, the prevailing wage rate for the position and the actual wage for the position. The employer is required to pay at least the higher of the two wage rates. There have been, however, numerous allegations of foreign workers replacing U.S. workers, an example of using the H-1B program to circumvent other immigration laws. Prior OIG audits found cases of employers applying for certification of H-1B positions that were technical jobs, possibly in the same career field and geographic areas in which U.S. workers have suffered higher than normal unemployment.

Objectives/Key questions: Are H-1B certifications having a negative affect on the U.S. labor market? Are U.S. workers denied opportunities to compete for technical and/or other jobs? Are workers hired under H-1B receiving the prevailing wage?

Program Electronic Review Management (PERM) System Controls and Foreign Labor Certification Guidelines

Office: Dallas Phase: Survey: Start: 03/06 Completion: TBD

Background: In response to a large influx of applications for permanent Foreign Labor Certification (FLC), ETA implemented the Program Electronic Review Management (PERM) System to process applications filed after March 28, 2005. Under the PERM system, the State Workforce Agency's only involvement in FLC processing is to provide prevailing wage information. The PERM system automatically screens, certifies, denies or selects FLC applications for audit. Without adequate controls in the PERM system, ETA may approve FLC applications that should be denied.

Objective/Key questions: What controls are currently built into the PERM system to ensure proper approval of FLC applications, and are they effective? Does the system alert ETA or other agencies of potential problems in sufficient time to remove an application from further processing, and determine whether ETA should forward it either to the OIG for audit or investigations?

Review of FECA Dependent Eligibility

Office: Atlanta Phase: Survey Start: 01/05 Completion: TBD

Background: The Federal Employees' Compensation Act (FECA) protects 3 million Federal workers from economic hardship due to work injury and illness. Executive, legislative, and judicial branch employees covered by FECA include civilian Defense workers, medical workers in Veterans Administration Hospitals, and the 800,000 Postal Service workers. In 2003, more than 168,000 new FECA cases were created, and the program provided nearly 284,000 workers more than \$2.3 billion in benefits for work-related injuries and illnesses. Of these benefit payments, nearly \$1.7 billion was for wage loss compensation, \$658 million was for medical and rehabilitation services, and \$130 million was for death benefits payments to surviving dependents. Recent evidence of abuses in the private sector suggest that ineligible dependents are not being removed from insurance rolls and, therefore, additional costs place a burden on the health care system.

Objective/Key Question: What impact do ineligible dependents have on the FECA program? Does FECA reduce the number of dependents for claimants whose children have reached adulthood? Are FECA claimants still collecting benefits on spouses whom the claimants have divorced or who are deceased?

FECA Claimants with Low Medical Costs

Office: Philadelphia Phase: Audit Start: 10/05 Completion: TBD

Background: Rising government costs for the Federal Employees' Compensation Act (FECA) program (\$1.4 billion in 1990 to \$2.3 billion in 2004) 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 FECA cases that show high 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.

Objectives/Key questions: Do low or no medical costs indicate that FECA claimants' injuries are not severe enough to affect their ability to work? Do the periodic rolls show claimants collecting benefits for injuries from which they should have recovered?

DOL Federal Employee Health Benefits (FEHB) Dependent Eligibility

Office: Atlanta Phase: Survey Start: 06/05 Completion: TBD

Background: A recent article in the *Wall Street Journal* reported that an audit of dependents enrolled for health care coverage revealed that 10 to 15 percent of private sector employees claimed ineligible dependents. DOL employees enroll in the FEHB program to provide health care benefits for themselves and their families. Cost of such benefits is borne by Federal employees and the Federal Government. In an effort to ensure health care costs are fair and equitable, we will survey DOL's implementation of the FEHB program to determine the risk and potential cost to the Federal Government of the enrollment of ineligible dependents.

Objective/Key Questions: What is the risk that DOL employees have enrolled ineligible dependents in the FEHB program? What is the impact and cost that ineligible claimants have on the FEHB program?

UI Identity Theft

Office: Philadelphia Phase: Survey: Start: 10/05 Completion: TBD

Background: DOL's FY 2006 budget request includes a \$30 million increase in state grants to target identity theft. In recent years, individuals used workers' stolen identities to file false unemployment claims. In one case, reported by the OIG, individuals filed fraudulent claims exceeding \$8 million using employees' names and Social Security numbers. A DOL proposal would allow states to keep up to 5 percent of recovered unemployment payments to detect and deter further UI fraud, and give private collection agencies up to 25 percent of recovered overpayments.

Objective/Key questions: Have states implemented internal controls to prevent or detect identity theft?

Effectiveness of Recovery of UI Overpayments

Office: Chicago Phase: Survey: Start: 06/06 Completion: TBD

Background: Each year, DOL allocates over \$100 million to fund state Benefit Payment Control (BPC) activities aimed at preventing, detecting, and recovering UI overpayments. However, in CY 2004, states collected a total of just \$530.4 million of overpayments – a recovery rate of only 47 percent—far below ETA’s goal of 59 percent. The inability to effectively recover UI overpayments poses increased risk of financial insolvency for individual state UI trust funds. As of September 30, 2004, DOL reported that 32 state UI trust funds were “not minimally solvent” and 4 states had outstanding loans from the Federal Unemployment Account. Increased recovery of UI overpayments would assist in improving the solvency of state funds.

Objectives/Key Questions - What obstacles prevent states from recovering a higher percentage of UI overpayments? How can ETA better assist states in recovery of UI overpayments?

Wage and Hour Division’s (WHD) Timeliness of Complaint Processing

Office: Atlanta Phase: Survey Start: 10/05 Completion: TBD

Background: According to DOL’s *Revised FY 2004 Annual Performance Plan* for FY 2003, WHD reduced the average number of days for complaint resolution by 16 percent to 108 days. The goal for FY 2004 was to maintain the FY 2003 level. Successful long-term employer compliance requires WHD to balance timely completion of complaint cases without sacrificing thorough and accurate case resolution.

Objective/Key Questions: How effective is WHD in achieving its target of resolving complaints in an average of 108 days? What is the quality and effectiveness of WHD’s complaint resolution process? Does WHD’s complaint service differ among the laws WHD enforces?

WHD’s Implementation of Revised Overtime Regulations

Office: San Francisco Phase: Survey Start: 03/06 Completion: TBD

Background: In August 2004, DOL issued revised regulations for the *Fair Labor Standards Act* that granted certain classes of workers "compensatory time" off, instead of overtime pay. Employers and employees may still not be fully knowledgeable about the recent change and how to comply with it. A Federal court recently ruled that the regulation requires an employer to do a case-by-case assessment of an employee’s job duties to determine if the overtime exemption applies. As a result of the change in overtime rules, DOL’s ESA/Wage and Hour Division must update its enforcement and information systems in order to address complaints about potential misclassification of workers for overtime purposes.

Objective/Key questions: Is WHD conducting efficient and timely monitoring and enforcement of employers' compliance with newly established exemptions to existing overtime requirements? Are WHD's new overtime exemptions being applied consistently? What is the fiscal impact of employer's misclassification of workers under the new regulations?

Follow-up on WHD Administration of Special Minimum Wages for Workers with Disabilities

Office: Atlanta Phase: Survey: Start: 06/06 Completion: TBD

Background: WHD administers the Special Minimum Wages (SMW) for Workers with Disabilities program, authorized under the *Fair Labor Standards Act* section 14 (c). Under the program, DOL can certify employers to pay workers, whose disabilities may affect their earnings or productivity capacity, less than the Federal minimum wage. In 2001, OIG and GAO reported deficiencies in WHD's administration and oversight of the program, and OIG recommended that WHD improve data reliability and increase its monitoring and technical assistance. GAO reported that WHD did not report sufficient data to show if workers were underpaid—a major risk to the program.

Objective/Key questions: Has WHD implemented OIG's recommendations from its 2001 report on the SMW program? Is WHD effectively managing the SMW Program? Do WHD and SMW Program employers collaborate with DOL and other Federal agencies and programs in order to increase employment for people with disabilities?

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

Occupational Safety and Health Administration (OSHA) State Consultation Referrals for Enforcement

Office: Chicago Phase: Audit Start: 07/05 Completion: 02/06

Background: The OSHA Consultation Program is designed to help employers identify and correct serious hazards in the workplace. In FY 2000, funding for consultations represented about 15 percent of OSHA's budget, including 26,000 consultation visits. The consultant studies the employer's workplace or the specific condition the employer designates, discusses the applicable OSHA standards, and develops a plan for correcting the hazards. If an employer fails to follow the plan and correct the hazard, State Consultation Programs must refer the employer to an OSHA enforcement officer for appropriate action.

Objective/Key Questions: Were serious hazards identified during consultation visits corrected in a timely manner? When serious hazards identified during consultation visits were not corrected timely, were the employers referred to OSHA for enforcement? Before granting employers' requests for extensions to correct serious hazards, did consultants ensure interim protection for employees was in place?

Adequacy and Timeliness of OSHA's Abatement Verification

Office: Chicago Phase: Survey Start: 04/06 Completion:

Background: Regulations under the *OSH Act of 1970* require employers to submit evidence (e.g., written documents, photographs, video, etc.) to one of OSHA's 80 Area Offices to document the correction (abatement) of willful, serious, and repeat violations. Such violations comprised 73 percent of all OSHA citations in FYs 2002-2004. OSHA does not require inspectors to visually verify abatements; therefore, employers could provide erroneous or misleading information about corrective action. OSHA's failure to ensure that employers have taken corrective action in a timely manner exposes workers to hazardous and life-threatening conditions.

Objectives/Key Questions: Does OSHA effectively verify abatement of repeat, willful, and serious hazards? Does OSHA ensure that abatements are accomplished and verified in an appropriate time frame? Do OSHA's files contain sufficient documentation to support hazard abatement?

Processing OSHA Whistleblower Complaints

Office: San Francisco Phase: Survey Start: 06/06 Completion: TBD

Background: OSHA's Office of Investigative Assistance administers the OSHA Whistleblower Program that protects workers employed by publicly traded companies who speak out against corporate abuse and fraud, a key provision under the *Sarbanes Oxley (SOX) Act*. OSHA has established procedures for handling whistleblower complaints and discrimination, and issues a decision following its investigation. OSHA has received over 300 whistleblower complaints since Congress passed *SOX* in 2002. If an order is not issued within 180 days, a complaint to the appropriate United States district court is filed.

Objectives/Key Questions: Are worker discrimination complaints handled judiciously, consistently, and timely? Does OSHA process complaints in compliance with the *Sarbanes-Oxley Act*? Is OSHA handling complaints involving matters of corporate securities law and other financial and accountancy laws and practices, as required by the *Sarbanes-Oxley Act*?

Mine Safety and Health Administration's (MSHA) Compliance with the Mine Act Inspection Requirements

Office: Chicago Phase: Survey Start: 11/04 Completion: TBD

Background: Mine inspections are a critical part of measuring employer compliance with Federal mine safety, and health standards. The Federal Mine Safety and Health Act requires that MSHA inspect each surface mine at least twice a year and each underground mine at least four times a year. Unperformed inspections may increase the risk of accidents, injuries, and fatalities as a result of undetected hazards.

Objective/Key Questions: Are the required surface and underground mine quality inspections completed timely? Are there enough resources to meet the requirements for mine inspections?

GPRA Data Validation - MSHA

Office: OAA Phase: Audit Start: 4/04 Completion: 11/05

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

Objective/Key Question: For CY 2003, are selected programs' performance data valid and accurate? Is there evidence that reported transactions, events, activities, etc. occurred during the reporting period? Is there evidence that all applicable transactions, events, activities, etc., were included? Have reported performance data been properly reported?

GOAL: ASSIST DOL IN MAINTAINING AN EFFECTIVE MANAGEMENT PROCESS***Data Analysis (Data Mining) to Promote DOL Program Integrity and Effectiveness***

Office: OITA Phase: Audit Start: 11/03 Completion: 09/06

Background: DOL collects large amounts of data dealing with grants, employment statistics and laws, and workplace safety. "Data mining" describes using technology (including database exploration) and defined criteria to sort through these data to extract specific information to identify patterns of interest to users, including government workers, and the business community. Data mining provides a tool to improve government performance and help assess the strength of the U.S. economy. Prior audits have identified poor data collection and data unreliability. The OIG is examining DOL data systems for patterns, trends, and anomalies.

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

Workforce and Succession Planning in the Department of Labor (DOL)

Office: Atlanta Phase: Survey Start: 05/06 Completion: TBD

Background: The Government Accountability Office (GAO) identified Strategic Human Capital Management as a high-risk area for the Federal government in its *2003 High Risk Series* report. According to OASAM, by FY 2008, an estimated 27 percent of DOL's current workforce will be eligible for retirement. In some agencies (e.g., VETS, ETA, and MSHA), over 30 percent will be eligible. Without effective workforce and succession planning, DOL may not be able to recruit and retain enough skilled workers to meet its goals.

Objectives/Key Questions: Is DOL effectively recruiting and retaining qualified employees? Does the Department hold poor performing employees accountable for their actions and reward

employees for surpassing expectations? Do employee training programs ensure that DOL employees acquire the key competencies to perform their jobs and adapt to a changing workplace?

GSA Schedule Procurements

Office: Chicago Phase: Survey Start: 05/05 Completion: TBD

Background: In FY 2003, approximately one third of DOL purchases represented goods and services procured through GSA Schedules, at a cost of approximately \$192 million. A recent OIG audit reported that one DOL agency did not follow proper procedures for procuring goods and services through GSA Schedules. In addition, a January 2005 GAO report noted that interagency contracting, included GSA Schedules, is a new high-risk area because these contracts are (1) attracting rapid growth of taxpayer dollars; (2) administered and used by agencies that have limited expertise in this contracting method; and (3) part of a complex environment in which accountability has not always been clearly established.

Objective/Key Question: Is DOL properly procuring goods and services through GSA Schedules?

Sole Source Acquisitions in DOL

Office: Philadelphia Phase: Survey Start: 07/06 Completion: TBD

Background: The Federal Acquisition Regulations (FAR) allow agencies, under specific, limited circumstances, to purchase goods or services directly from a provider without competition (i.e., sole source). In FY 2003, one third of all DOL procurements (about \$126 million) represented sole source contracts. 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?

Procurement Warrants

Office: Philadelphia Phase: Survey Start: 07/06 Completion: TBD

Background: DOL employees who make purchases above \$2,500, or award contracts, must hold a Certificate of Appointment (procurement warrant) delegating them authority to obligate Federal funds. OMB recently established new standards, to be phased in during FY 2006 and FY 2007 that set minimum education, experience, and continuous training requirements for contracting personnel. An accurate up-to-date system of tracking warrants within DOL will be important in meeting OMB's standards

Objectives/Key Questions: Does DOL assure that only qualified individuals receive procurement warrants? Does DOL adequately manage the use of these warrants? How does DOL assure that only authorized warrant holders obligate Federal funds through purchases and contracts? How does OASAM ensure that established dollar thresholds are not exceeded?

Configuration Management: Firewalls and Filters Impact Departmental Relationships with Agencies

Office: OITA Phase: Survey Start: 10/05 Completion: TBD

Background: Firewalls and filters protect Web applications from a hacker's attempt to illegally manipulate data for unauthorized purposes. If agencies do not implement firewalls and filters, the risk grows that DOL's computer systems will become the victims of "phishing" and "spamming" attacks. Without preventive controls, entities will not be assured as to the confidentiality, integrity, and availability of DOL's data. OIG audit work can help assess DOL's capabilities to prevent misuse and abuse of IT systems and data.

Objective/Key Questions: Has the Department defined the appropriate firewalls to be implemented for each agency? Have DOL agencies implemented the necessary firewalls to ensure the protection of their functions and relationships with other agencies?

SDLC Audit of Selected IT Initiatives

Office: OITA Phase: Survey Start: 11/05 Completion: TBD

Background: The growth of e-Government requires Federal agencies to ensure that information technology (IT) projects are managed effectively and efficiently. Potential risks of ineffective project management include lack of product, delayed implementation, lost productivity, and cost overruns. Prior OIG work found that ignoring basic System Development Life Cycle (SDLC) technical prescriptions and best practices contributed to problems in launching e-Payroll and the e-Grants project. Current DOL IT projects, such as the ERISA Filing Acceptance System (EFAST) and New Core Financial Management Systems, may be vulnerable because of their cost, impact and/or profile levels.

Objective/Key Questions: How many DOL mission-critical IT projects are vulnerable? What are the metrics by which progress on the most vulnerable of these projects is measured? How much money is at risk for loss if the project fails? Which ones are most at risk of financial loss?

Authentication and Identity for Federal Agencies

Office: OITA Phase: Survey Start: 01/06 Completion: TBD

Background: The quality and security of forms of identification used to gain access to Federal and non-Federal buildings with potential for terrorist attack varies widely and poses security risks. Homeland Security Presidential Directive (HSPD)-12 establishes a mandatory, government-wide standard for secure and reliable forms of identification issued by the Federal Government to its employees and contractors, including their employees. In addition, Federal

agencies must categorize all existing transactions/systems requiring user identification by September 2005.

Objective/Key Questions: Has the Department defined technical and policy requirements for issuing and managing physical and electronic credentials? Has the Department developed a rational, common approach to authentication and identity for Federal employees? Has the Department identified business process and technical requirements related to management, operational, and technical controls for credential life cycle management?

Grant and Contract Audits

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

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

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

Complaint Response

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

Background: The OIG receives complaints and referrals alleging fraud, waste, abuse, and misconduct from a variety of sources, including Federal managers and employees, state and local grantees, DOL program participants, and 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?

OA Inventory of Discretionary Projects

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

- District of Columbia Key Performance Indicators for WIA
- Job Corps Acquisition and Management of Vehicle Fleets
- Veterans Employment Training Service Data Validation
- Job Corps Graduates Employability
- Close-out Audit of San Francisco Workforce Board WtW Formula Grants
- Appropriateness of WIA Occupational Training for Participants
- Job Corps High School Diploma Attainment Strategy
- Job Corps Responsibility and Authority over Center Schools
- Non-DOL Funding for Job Corps Centers
- Timeliness of NEG Awards
- Florida WIA Expenditures
- ETA Performance-Based Contracting
- Real Property Audit and Cost Allocation
- Bureau of Labor Statistics Data Sharing
- Ground Zero Initiative

Goal II: Safeguard Workers' and Retirees' Benefit Programs

- Incarcerated Convicted Felons Receiving FECA Benefits
- Black Lung Overpayment Protection
- Unemployment Insurance Solvency Rate Measurement
- Outstanding Loans From the Federal Unemployment Account
- ETA Measurement of UI Underpayments
- EBSA Enforcement
- EBSA Health Plans

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

- Job Corps Health & Wellness Program
- Effectiveness of MSHA's Compliance Assistance to Small Mine Owners
- Reliability of MSHA's Accident/Injury Data
- Department of Labor Shelter-in-place Plan

Goal IV: Assist DOL in Maintaining an Effective Management Process

- Accountability for Portable Technology Inventory
- Reasonableness of Threshold for Capitalization of Property Plant & Equipment and Useful Life Study
- Grantee Debarment & Suspension Practices
- Cost Allocation Modules with the Working Capital Fund
- EBSA Information Technology

- E-Property Internal Controls Study
- Data Mining: Payroll Time & Attendance Patterns
- State IT Remediation Funding