Office of Inspector General

U.S. Department of Labor's Top Management and Performance Challenges

November 2026



As required by the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) has identified the most serious management and performance challenges facing the U.S. Department of Labor (Department or DOL).

These challenges are included in DOL's "Agency Financial Report" for FY 2026.

The Department plays a vital role in the nation's economy and in the lives of workers and retirees and, therefore, must remain vigilant in its important stewardship of taxpayer funds, particularly in the era of shrinking resources.

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CHALLENGE:

Reducing Unemployment Insurance Improper Payments, Including Fraud



BACKGROUND

The unemployment insurance (UI) program is a joint federal-state program with each state[1] administering a separate UI program under its own laws while following uniform guidelines established by federal law. The UI program provides benefits to eligible workers who are unemployed through no fault of their own and meet other state eligibility requirements. UI benefits are typically funded by state employer taxes, with administrative costs covered by the federal government. However, during emergencies, enhanced UI benefits are also generally funded by the federal government. The U.S. Department of Labor's (Department or DOL) Employment and Training Administration (ETA) is responsible for providing UI program direction and oversight.

For over 20 years, the Office of Inspector General (OIG) has reported on weaknesses in ETA's ability to measure, report, and reduce UI program-related improper payments. The UI program has experienced some of the highest improper payment rates across the federal government, with an estimated rate above 10 percent[2] for 19 of the last 22 years.[3] This challenge is underscored by the Department's reporting over the last 5 years of historically high improper payment rates, including fraud, peaking at 21.52 percent in Fiscal Year (FY) 2022 before gradually dropping to 14.41 percent in FY 2024 and 13.14 percent in FY 2025. However, these estimated improper payment rates continue to fall short of federal requirements. A significant and persistent driver of these improper payments is fraud, as domestic and international criminals continue to target the UI system with increasingly sophisticated schemes.

WHAT IS AN IMPROPER PAYMENT?

A payment is improper if it should not have been made or was to the wrong recipient.

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Examples include overpayments and underpayments.

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An improper payment can be unintentional or intentional.

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Intentional improper payments are more commonly referred to as fraud.

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1 When pertaining to UI, this Top Management and Performance Challenges report uses "state" or "state workforce agency" to refer to the administrative body that administers the program within the state, district, or territory. For the 50 states, as well as the U.S. Virgin Islands, the Commonwealth of Puerto Rico, and the District of Columbia, that administrative body is a state workforce agency.

2 To fully comply with the Payment Integrity Information Act of 2019, agencies must report an improper payment rate of less than 10 percent for each program and activity for which an estimate was published.

3 UI improper payments data for FY 2004 through FY 2025 as reported to the Office of Management and Budget.

In response to this persistent fraud threat, the OIG is participating in the Task Force to Eliminate Fraud, established by Executive Order to coordinate a government-wide strategy against fraud in federal benefit programs. The OIG is also coordinating with the U.S. Department of Justice's National Fraud Detection Center, a data analytics effort to identify fraud across taxpayer-funded programs and generate investigative leads. In addition, the OIG is lending investigative support to ETA's strike team initiative. Together, these efforts present an opportunity to strengthen the detection and prevention of UI fraud.

While these efforts are promising, the long-standing challenge with UI improper payments can be further exacerbated in times of crisis, including natural disasters and economic downturns.[4] The COVID-19 pandemic exposed and magnified long-standing vulnerabilities—such as outdated information technology (IT) systems, staffing shortages, and inadequate fraud prevention. Although DOL and states have implemented several reforms, these weaknesses continue to pose risks and highlight the need for long-term solutions to safeguard the UI program. These are not just historical problems—they are critical lessons for the future.

CHALLENGE FOR THE DEPARTMENT

ETA continues to face challenges in ensuring states' UI improper payments—including fraud—are reduced and addressed through prevention, detection, reporting, and recovery. Notably, we are concerned that every dollar lost to fraud is a dollar stolen from honest, hardworking Americans. When prevention fails, timely and accurate detection and reporting—as well as recovery of funds, as practicable—become essential. Further, ETA should ensure that states have adequate controls to protect the UI program from improper payments, including fraud. If sufficient action to course correct is not taken, improper payments within the UI program will likely remain high.

Improper payments have largely resulted from four primary causes. First, some claimants fail to demonstrate that they meet their states' requirements for seeking new jobs (work search).[5] Second, some claimants continue to claim UI benefits after returning to work or misreport earnings (benefit year earnings). Third, some employers, or their third-party administrators, fail to provide prompt and adequate information about why individuals left their employment

[4] Examples include hurricanes, the Great Recession, and the COVID-19 pandemic. For instance, we identified over $100 million in potential improper payments related to UI program benefits in response to the devastating impact of Hurricanes Katrina and Rita in 2005. States also did not detect an estimated $6.5 billion in improper payments from the UI funding provided by the American Recovery and Reinvestment Act of 2009.

[5] The Middle Class Tax Relief and Job Creation Act of 2012 requires that individuals receiving UI benefits must be able to work, available to work, and actively seeking work, as a condition of eligibility for regular compensation for any week. Accordingly, states require unemployed workers to demonstrate they were actively seeking work. Work search overpayments occur when states pay UI claimants who do not comply with a state's required work search activities.

(employee separation). Fourth, individuals and criminal groups intentionally commit deceptive acts related to the payment or collection of UI benefits.[6]

In addition, ETA faces challenges with reconciling and returning unused COVID-19 pandemic funds that remain in states' accounts and UI trust funds more than 5 years after the benefit eligibility period expired. These remaining balances are vulnerable to fraud, waste, and abuse.

Prevention

One key challenge in preventing improper payments is ensuring UI benefits are paid to only those individuals eligible under program requirements. Accurate initial determinations of eligibility are critical to ensuring benefits are issued correctly. States struggle to accurately determine eligibility and identify sophisticated fraud schemes due to factors such as limited staff and outdated IT systems.

Our audit work confirmed staffing and system capability issues remain persistent challenges that undermine the integrity of the UI program. In approximately 80 percent of our pandemic-related UI audits, we identified staffing shortages and outdated IT systems as contributing factors for the issues found. For example, in our November 2024 audit report on states' use of staffing, we found ETA, with Office of Management and Budget approval, allowed states to temporarily suspend the Benefit Accuracy Measurement (BAM) program[7] from April 1, 2020, through June 30, 2020, and reassign BAM program staff to claims processing. Of the six state workforce agencies (SWAs) we selected to audit, five considered their staffing levels insufficient to process the volume of initial UI claims received. According to ETA's FY 2024 Unemployment Insurance Integrity Strategic Plan (Strategic Plan)[8], states continued to face significant challenges with staff turnover and outdated IT systems.

[6] ETA has included fraud as an element of the leading causes rather than as a separate cause. For Program Year 2025, ETA reported the top three causes for overpayments resulted in more than $3.7 billion in overpayments. For this same period, over $1.7 billion in improper payments was attributable to fraud. Overpayments, a subset of improper payments, constitute the majority of improper payments.

[7] BAM provides the basis for assessing the accuracy of UI payments, a process from which the estimated annual improper payment rate is derived.

[8] At the time of this report, ETA had not released the FY 2025 Unemployment Insurance Integrity Strategic Plan to the OIG. The FY 2024 Strategic Plan was the most current version available for review.

Detection

Over the past 6 years, we have continued to identify internal control weaknesses in the UI program that lead to improper payments, including fraud. Currently, states face ever-evolving fraud schemes, including those by malicious cyber-enabled[9] bad actors and criminal enterprises, which can overwhelm state systems. Our work identified that the pandemic turned UI benefits into a lucrative target for criminals who continue to focus on the program and adapt their tactics to exploit systemic weaknesses.

Criminals continue to focus on the UI program and adapt their tactics to exploit systemic weaknesses.

Accordingly, fraud risk to the UI program did not end with the pandemic. For example, in FY 2025, fraud rates in some states, such as California, Massachusetts, New York, and Tennessee, remained at over 6 percent. New York's fraud rate was the highest in the country at 18.53 percent—equating to almost $1 in every $5 paid to fraudsters.[10] According to ETA's Strategic Plan, underfunding and outdated technology have limited states' responsiveness. The Strategic Plan also reported states worked to combat relentless fraud schemes—such as cyberattacks, claims filed with stolen identities, and spoofing of state UI websites to steal personally identifiable information—that circumvent many prevention and detection tools. A July 6, 2026, letter from ETA to state UI directors reported that UI integrity practices lacked consistency across states, allowing fraud to migrate to the weakest point.

Further, the evolving fraud threat is exemplified by growing and costly fictitious employer schemes. These emerging fraud schemes involve creating companies that exist only on paper—with no actual employees or business operations—for the purpose of filing fraudulent UI claims. As pandemic-era programs ended, domestic and foreign criminals increasingly turned to this type of fraud. In our September 2026 alert memo, we reported that, since January 2024, the OIG has investigated fictitious employer schemes involving more than $60.5 million in stolen UI funds. In addition, states paid more than $128 million in benefits to claimants who used Employer Identification Numbers that states identified as belonging to known fictitious employers.

Establishing a data analytics capability with a dedicated team of data scientists at the federal level would allow ETA to monitor and analyze UI claims data on an ongoing basis.

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[9] Per Executive Order 13984, issued January 19, 2021, "the term 'malicious cyber-enabled activities' refers to activities, other than those authorized by or in accordance with United States law that seek to compromise or impair the confidentiality, integrity, or availability of computer, information, or communications systems, networks, physical or virtual infrastructure controlled by computers or information systems, or information resident thereon."

[10] Based on publicly reported data from ETA's 2025 Improper Payments 1-Year Data (7/1/2024 - 06/30/2025), which provides the data used to meet Payment Integrity Information Act of 2019 reporting requirements for the fiscal year.

ETA would then be able to identify high-risk areas across multiple states and quickly flag potentially fraudulent claims to refer to the OIG for investigation and states for further action. These early detection flags could help prevent losses due to fraud. For example, in our September 2023 alert memorandum on the need for ETA to incorporate a data analytics capability for improved oversight of the UI program, our investigators, auditors, and data scientists collaboratively reported a cumulative $46.9 billion in potentially fraudulent UI benefits paid from March 2020 to April 2022 in six high-risk areas, involving claims with Social Security numbers (SSN):



- filed in multiple states,
- of deceased persons,
- used to file UI claims with suspicious email accounts,
- of federal prisoners,
- belonging to individuals under 14 years of age, and
- belonging to individuals 100 years of age or older.

We shared our claimant data and methodology for identifying claimants in the six high-risk areas with ETA. ETA subsequently transmitted the claimant data associated with potentially fraudulent UI claims to 53 SWAs and Guam with instructions and requirements on investigations and due process. Our August 2025 through June 2026 audit work in four of the six high-risk areas—UI claims filed in multiple states, using deceased persons SSNs, using suspicious email accounts, and using federal prisoners' SSNs—found that many states confirmed some UI benefits paid were fraudulent. However, ETA did not monitor nor require states to report the results of research or investigations of potentially fraudulent UI claims, which would have assisted ETA in identifying high-risk areas for UI fraud.

Since June 2020, the OIG has been the leading federal entity collecting pandemic-related UI claimant data from states nationwide, which has supported risk assessments and identification of high-risk areas. These efforts should not be left to the OIG's independent oversight. As the agency with programmatic responsibility for UI programs, ETA is responsible for establishing a routine program integrity function. With the support of the Chief Financial Officer as the dedicated entity responsible for managing the process of assessing fraud risks to the UI program, ETA needs to perform its own data analytics and risk assessments. Also, with the support of the Chief Financial Officer, ETA needs to continue to identify high-risk areas and update its UI Fraud Risk Profile.

Further, our investigators have identified crimes related to UI fraud both throughout the United States and by foreign bad actors, resulting in the conviction of over 1,900 criminals since April 2020. Notable recent cases include a criminal organization involved in murder and narcotics trafficking, former federal and state employees targeting UI funds, and federal and state inmates committing fraud. Additionally, in one of the largest domestic UI fraud investigations in DOL's history, our investigators identified that criminals created fictitious employers to defraud the Georgia Department of Labor of more than $45 million.

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Reporting

States' incomplete and inaccurate reporting has consistently undermined oversight of the UI program. In FY 2021, this, in part, resulted in the Department receiving its first qualified opinion on its consolidated financial statements in 25 years. Most recently, in September 2026, for the fifth consecutive year, we issued a qualified opinion on the Department's consolidated financial statements and reported a material weakness related to the UI program.

In August 2025 through June 2026, we issued the following five reports: UI claims filed in multiple states, UI claims filed using deceased persons SSNs, UI claims filed using suspicious email accounts, UI claims filed using federal prisoners' SSNs, and pandemic UI overpayment recovery waivers. In each audit, we found that many states still had not completed required reporting on UI overpayments, including fraud. The lack of accurate state performance information hinders Congress' and ETA's ability to assess state activities, identify program weaknesses, and improve future temporary programs. Accurate and complete reporting is critical for strong oversight and accountability in the UI program.

To meet improper payment reporting requirements, ETA uses the BAM program. BAM is designed to identify systemic errors, determine their root causes, and estimate the improper payment rates using random weekly samples of UI claims. However, BAM may not accurately reflect the true rate or causes of improper payments because it relies on statistical sampling and complex, inconsistently applied criteria. Our September 2021 report on the need for more consistent state requirements concluded the agency was unable to consistently reduce overpayments mainly because states had varying Work Search laws and requirements, with some more stringent than others. ETA acknowledged that states with more stringent work search requirements tended to have higher Work Search overpayment rates. The OIG is currently assessing ETA's use of the BAM system as a tool to measure the accuracy of states' UI benefit payments and improper payment rates.

Overpayment and Unused Pandemic Funds Recovery

Recovering UI overpayments is a key component of program integrity and is essential to protecting both state UI trust funds and federal funding. According to ETA's Unemployment Insurance Program Letter No. 13-25, overpayment recovery must be given the same level of priority as fraud prevention and detection. States are responsible for recovering UI overpayments promptly and efficiently and must make every possible effort to recover fraudulent overpayments using all available resources. ETA is responsible for overseeing and monitoring state recovery efforts to ensure compliance with federal requirements.

States have reported recovering approximately $2.4 billion of the estimated $76 billion in fraudulent UI funds paid.

The scale of this issue is significant. As stated in the OIG's March 2023 congressional testimony, we estimated states may have paid $191 billion improperly during the COVID-19 pandemic period, including $76 billion in fraudulent benefits. In September 2023, the Government Accountability Office estimated pandemic-related UI fraud even higher—up to $135 billion. ETA and individual states continue to face the daunting task of recovering these overpayments. From April 1, 2020, to September 30, 2026, states have reported recovering approximately $11.5 billion in improperly paid UI program funds, including $2.4 billion that was fraudulently obtained.[11]

We are also concerned that the ability of SWAs to recover pandemic-related UI overpayments is negatively affected by the waiver authority granted by the CARES Act, including blanket waivers that allow states to waive the recovery of multiple claimants' overpayments at once using a single set of facts instead of on a case-by-case basis. In September 2025, we reported ETA's guidance and oversight did not ensure states waived recovery of only eligible overpayments for the three key pandemic-related UI programs[12] from March 2020 through June 2023. Specifically, we estimated the recovery of more than $240 million—including $65 million in fraud—was improperly waived by Michigan and Massachusetts, two of the states that reported the highest dollar amount of overpayment recoveries waived.

As early as June 2025, the OIG had engaged with a financial institution to return approximately $520 million in fraudulent UI benefit payments that were held in prepaid debit card accounts. Additionally, in our January, February, and May 2026 alert memoranda, the OIG identified more

[11] This recovery amount includes benefits paid under regular UI, Federal Pandemic Unemployment Compensation, Pandemic Unemployment Assistance, Pandemic Emergency Unemployment Compensation, and Mixed Earners Unemployment Compensation. Some of these recoveries may apply to overpayments made after September 6, 2021, when the pandemic period (i.e., statutory period for disbursing pandemic UI benefits) ended.

[12] The CARES Act established three key new UI programs: Pandemic Unemployment Assistance, Federal Pandemic Unemployment Compensation, and Pandemic Emergency Unemployment Compensation.

funds as a result of potential UI fraud that were held in accounts at two financial institutions. Accordingly, we advised ETA to ensure the SWAs engaged with ETA, the OIG, and the financial institutions to assess the potential UI fraud and report their findings. In a May 2026 joint memoranda, the Acting Secretary of Labor and the Inspector General advised these financial institutions to freeze and preserve identified prepaid debit card accounts linked to potentially fraudulent UI claims, cooperate with investigators, and prevent the funds from being transferred to state unclaimed property systems. These recovery efforts have produced significant results. By June 2026, joint efforts of the OIG, ETA, and the Office of the Solicitor resulted in the recovery of more than $1 billion in fraudulent CARES Act funds.

In June 2025, based on an OIG recommendation, ETA reported completing the reconciliation and return to the U.S. Treasury of more than $4.4 billion in unused Temporary Full Federal Funding of the First Week of Compensable Regular Unemployment for States with No Waiting Week (TFFF) program funds. However, $265 million remains available in the Uninvested Federal Unemployment Account for states' unpaid TFFF expenditures. Also, ETA has not closed a recommendation to reconcile remaining state trust fund balances for the Emergency Unemployment Relief for Governmental Entities and Nonprofit Organizations program, which includes recovering more than $844 million in federal funds.

In May 2026, ETA issued Unemployment Insurance Program Letter No. 11-26, which made administrative funding available to support states' continued work on the expired pandemic-related UI programs, including reconciling accounts and establishing and recovering overpayments. Despite the progress made, substantial recovery work remains.

Impact of State Finality Laws on Detection and Recovery of UI Overpayments

In December 2023, ETA issued Unemployment Insurance Program Letter No. 05-24, which authorized SWAs to apply state finality laws that limit the length of time to reconsider a prior determination made on CARES Act-funded UI claims. The OIG is concerned that, by applying state finality laws to pandemic-related UI claims, states will not have an incentive to identify and report overpayments and fraud, or to reexamine improper decisions to waive the recovery of overpayments. We emphasized this concern in five 2025 audit reports on the following topics: federal UI improper payments recovery needs improvements, UI claims filed in multiple states, UI claims filed using deceased persons SSNs, UI claims filed using suspicious email accounts, and pandemic UI overpayment recovery waivers.

The application of finality laws contributes to unrecoverable debt owed to the federal government and taxpayers. Also, allowing states to use finality laws reinforces the need for robust initial oversight and controls to prevent and detect improper payments in state UI programs. Improper payment recovery activities are crucial for maintaining the integrity of the unemployment benefits system and public trust in these programs.

DEPARTMENT'S PROGRESS

ETA has stated it is taking an aggressive stance on reducing fraud, waste, and abuse across the Nation's unemployment system to ensure that benefits are received only by those who are eligible. For example, on February 6, 2026, ETA notified states that it was prioritizing more direct oversight of the UI program by deploying UI Strike Teams to states whose performance had fallen short of acceptable levels. The most intensive engagement includes an onsite review by a UI Strike Team and a monitoring report analyzing the state's strategies to reduce its improper payment rate and improve benefit payment timeliness. On May 13, 2026, the Department announced that it would work together with the OIG to address fraud and performance concerns in the UI program. The announcement was in response to the Executive Order establishing the Task Force to Eliminate Fraud. Both the Acting Secretary of Labor and the Inspector General serve on this task force. Additionally, on July 6, 2026, ETA issued a letter to state UI directors sharing the Department's model National UI standards. The standards are a set of integrity practices the Department indicated states should adopt to prevent improper and fraudulent payments before they are made.

ETA also made grants available to states to strengthen identity verification—including support for the use of Login.gov—and launched Unemployment.gov to serve as a central portal to help workers access state UI systems. According to ETA, the long-term vision for Unemployment.gov is to serve as a starting point for claimants to complete identity verification before being referred to states to file claims. In addition, ETA continues to support states through anti-fraud strategies such as the UI Integrity Center, which partnered with the U.S. Department of the Treasury's Bureau of the Fiscal Service to provide states access to the Do Not Pay system. The Do Not Pay system helps states support eligibility determinations and provides analytics services for agencies. Also, as of June 2025, 41 states were either connected to or establishing a connection to the Social Security Administration's Prisoner Update Processing System to help identify UI claims filed with incarcerated individuals' SSNs.

Further, on September 16, 2026, DOL announced its final rule amending DOL regulations governing disclosures of confidential UI claimant and wage records to include an express requirement that SWAs must disclose such data to federal officials, including the OIG. This rulemaking aligns with Executive Order 14243, Stopping Waste, Fraud, and Abuse by Eliminating Information Silos, which underscores the Administration's commitment to eliminating barriers that hinder federal oversight efforts. DOL stated the change is designed to improve coordination in detecting fraud, closing system vulnerabilities, and preventing improper payments. The final rule is effective November 16, 2026. States that need to amend their laws to conform and comply with the requirements of this rule must do so as quickly as possible, but no later than September 16, 2027. Additionally, according to ETA, the agency is establishing a program integrity team and pursuing a contract award for data analytics support to provide advanced data analytics, statistical analysis, data visualization and dashboard development, and performance monitoring services for the UI program.

Having awarded the last grants under the American Rescue Plan Act of 2021 as of September 2023, DOL began rescinding portions of unspent grant funds in 2025. ETA awarded grants totaling $780 million to 52 SWAs to prevent and detect fraud, promote access, ensure timely benefit payments, and reduce backlogs.[13] ETA is currently undergoing a comprehensive review of SWAs' uses of American Rescue Plan Act funding.

Despite the many improvements made by ETA over the last few years, we remain concerned that the UI program is not sufficiently prepared for the next national emergency.

WHAT REMAINS TO BE DONE

It is crucial that ETA take proactive steps to improve improper payment prevention, detection, reporting, and recovery. These improvements are essential in ordinary circumstances, and their importance escalates during emergencies.

For the UI program, ETA needs to:

- Obtain access to state UI data and wage records and develop a data analytics capability at the federal level to regularly monitor the data to proactively detect and prevent improper payments—including fraud—and to identify trends and emerging issues that could negatively impact the UI program.
- Determine the proper disposition of excess Emergency Unemployment Relief for Governmental Entities and Nonprofit Organizations program funds and take necessary actions. Specifically, recover questioned costs of up to $29 million—$24 million of which is for fraudulent charges—and reconcile state trust fund balances to include recovering more than $844 million in federal funds.
- Issue guidance to the states on procedures and requirements for:
  - accessing the $265 million in TFFF program funds reserved for states' unpaid TFFF expenditures, and
  - reconciling TFFF accounts and returning any remaining unused TFFF funds.
- Work with the U.S. Department of the Treasury's Bureau of Fiscal Services, Bureau of Prisons, and UI Integrity Center to facilitate states' streamlined access to federal incarceration data leveraging the Do Not Pay initiative and the Integrity Data Hub.
- To mitigate the impact of fictitious employer schemes, enhance the systemwide tools ETA facilitates to cross-match new employer registrations against

[13] The American Rescue Plan Act of 2021 initially allotted $2 billion to UI initiatives; however, $1 billion was rescinded by the Fiscal Responsibility Act of 2023.

additional data sources, for example, public business data (e.g., federal and state business registration records and commercial address and phone databases) and banking, Internet Protocol (IP) address, and Voice Over IP data.

- Continue to work with states to modernize their UI program systems, upgrade their technological capabilities, and leverage technology and automated solutions to protect federal benefits from improper payments, including fraud.
- Implement OIG recommendations on reporting to include:
  - designing and implementing controls over certain UI program estimates to ensure management's review of the estimates are performed and documented at a sufficient level of detail;
  - identifying the states that have not complied with ETA 227 reporting requirements for Federal Pandemic Unemployment Compensation and Pandemic Emergency Unemployment Compensation and the states that have not complied with ETA 902P reporting requirements for Pandemic Unemployment Assistance; in addition, working with these states to ensure fraudulent overpayments for the CARES Act UI programs are reported; and
  - working with SWAs to ensure they retroactively submit accurate and complete information related to overpayment recovery waiver amounts for Federal Pandemic Unemployment Compensation, Pandemic Emergency Unemployment Compensation, and Pandemic Unemployment Assistance for all pandemic-related reporting periods.

CHALLENGE:

Protecting the Safety and Health of Workers



BACKGROUND

Federal law requires that U.S. employers provide safe and healthy workplaces for their employees. Failure to keep workplaces free of known safety and health hazards can lead to injuries, illnesses, fatalities, and serious legal consequences. The Federal Mine Safety and Health Act of 1977 and the Occupational Safety and Health Act of 1970 are federal laws administered by, respectively, the Mine Safety and Health Administration (MSHA) and the Occupational Safety and Health Administration (OSHA) to keep employees safe and healthy at work. MSHA is responsible for the safety and health of more than 327,000 miners who work at nearly 13,000 mines, and OSHA is responsible for the safety and health of approximately 144 million workers employed at more than 11.8 million worksites.

CHALLENGE FOR THE DEPARTMENT

MSHA and OSHA face significant challenges in completing their mandates to ensure the protection of American workers' safety and health, particularly in high-risk industries. These challenges include maintaining effective enforcement programs such as conducting inspections, verifying operators abate hazards timely, and ensuring employers report injuries and illnesses while addressing any workforce issues.

Specifically, MSHA is challenged with the following:

- preparing for mine emergencies,
- completing mandatory inspections,
- writing violations and verifying operators abated hazards timely, and
- protecting miners from exposure to high silica levels.

OSHA is challenged with the following:

- inspecting enough worksites with limited inspectors, and
- ensuring it has accurate and reliable data to make effective management decisions.

Additionally, both MSHA and OSHA are challenged in ensuring full compliance with their appropriations acts.

In April 2026, the OIG reported MSHA needed to improve its preparedness for mine emergencies. This included improving communication with the mining industry and correcting

issues identified from previous emergencies, such as: (1) keeping guidance up to date, (2) appropriately issuing withdrawal orders, (3) ensuring equipment availability at mine rescue stations during emergencies, (4) sufficiently training all staff involved with emergencies, and (5) conducting after action reviews. Insufficient emergency preparedness could lead to unnecessary delays or confusion when responding to an emergency. In March 2017, the OIG reported MSHA had not provided sufficient oversight of emergency response plans developed by mine operators. Because MSHA has not implemented corrective actions for five of the nine recommendations in our 2017 report, the inherent risk with mine emergencies is compounded given the issues identified in our 2026 report.

In October 2023, the OIG reported MSHA had not completed mandatory inspections, mostly due to the elimination of inspection requirements when a mine was initially inaccessible by an inspector. This led to MSHA not inspecting 176 mines for at least 2—and, in some cases, 4—consecutive years. In November 2024, the OIG issued an alert memorandum on miner safety and health notifying leadership that MSHA had failed to sufficiently identify its own jurisdiction and had never conducted mandatory mine inspections in at least three U.S. territories[14] where mining activity had occurred. In these October 2023 and November 2024 products, the OIG also found MSHA was not maintaining accurate mine statuses in its systems, which impacts how many inspections MSHA conducts at a mine. If a mine is put in the wrong status, it might not receive the number of inspections required by the Federal Mine Safety and Health Act of 1977. Additionally, we noted in these products that MSHA inaccurately reported a 100 percent completion rate for mandatory inspections during the respective audit scopes.

During mandatory inspections and other activities, MSHA inspectors write violations to mine operators who do not comply with the Federal Mine Safety and Health Act of 1977 or MSHA regulations. However, in March 2021 we reported MSHA did not properly manage its violations process, which jeopardized MSHA's mission to maintain miner safety. We found thousands of violations were written improperly and, nearly a third of the time, MSHA inspectors failed to verify operators abated hazards by MSHA's due date—potentially exposing miners to hazards longer than necessary. These issues are compounded by MSHA's failure to fully implement our 2019



[14] The three territories are American Samoa, Guam, and the Commonwealth of the Mariana Islands—collectively, the Pacific Territories.

recommendations to improve MSHA's pre-assessment conferencing program, in which mine operators can challenge violations they feel MSHA inspectors did not write correctly.

The OIG is also focused on MSHA's efforts to better protect miners from exposure to respirable crystalline silica—a carcinogen and contributing cause of black lung disease—in coal mines. In November 2020, we reported MSHA's silica exposure limit had remained unchanged for over 50 years, putting miners at risk of developing life-threatening health problems. The OIG recommended MSHA enhance its sampling program to increase the frequency of inspector samples where needed, such as through implementation of a risk-based approach. While MSHA agreed to study this recommendation and determine the necessity of increasing the frequency of inspector sampling by November 2021, it has yet to provide the results of that study or any corrective actions.

Regarding OSHA, the agency is challenged in inspecting enough worksites with its limited resources. The OIG has previously reported significant resource constraints were affecting OSHA's enforcement capabilities. We highlighted in 2022 how a lack of available personnel can lead to diminished enforcement, particularly in high-risk industries, thereby increasing the risk of fatalities, injuries, or compromised health for workers.

As we have reported since 2022, a lack of available inspectors can lead to fewer inspections, diminished enforcement in high-risk industries and, ultimately, a greater risk of fatalities, injuries, or compromised health for workers. OSHA, along with its state partners, currently have approximately 1,684 inspectors who are responsible for the safety and health covering over 11.8 million worksites. This translates to about 1 inspector for every 7,000 worksites.



In September 2026, the OIG issued an alert memorandum notifying the Department and OSHA officials that, based on our analysis of OSHA data,[15] the agency may have conducted nearly 500 impermissible inspections on small employers in low-risk industries during a 14-month review period. Our analysis found these employers may have been exempt from inspections as Congress prohibits OSHA from using funds for certain activities through an annual appropriations rider; therefore, the impermissible inspections warrant OSHA's further review. If inspections prohibited by the appropriations rider were initiated and completed on small exempt employers, it would reflect insufficient prioritization of inspections that further strain OSHA's already limited resources.

Given its resource limitations and the issues identified in our alert memorandum, OSHA must ensure it is strategically prioritizing its enforcement approach. Adherence to the appropriations rider could also help enforcement efforts remain focused on high-risk workplaces that warrant prioritized regulatory oversight. Further, because OSHA's inspection resources can only cover a small percentage of workplaces each year, if swift action is not taken, even a modest diversion of resources could mean missed opportunities to intervene in high-hazard industries where enforcement could prevent serious harm or death.



Additionally, OSHA's ability to make informed management decisions depends on accurate and reliable data. However, OSHA has not effectively enforced its mandatory illness and injury reporting requirements for employers. Our September 2023 audit identified that, on average, between 2016 and 2020,[16] 59 percent of establishments in all industries failed to report their mandatory annual injury and illness data to OSHA. Additionally, OSHA could not identify if an establishment met the criteria for mandatory reporting. Therefore, OSHA could neither proactively remind specific establishments that they must report, nor effectively cite employers for non-compliance. Employer under- and non-reporting continues to be a challenge for OSHA and results in an incomplete view of workplace injury and illness data.

[15] The scope of our work was limited to analyzing OSHA Information System data; we did not review any supporting case files. However, OSHA performed a preliminary assessment of 27 case files and found 4 inspections that did not meet any exceptions allowed under its appropriations acts. OSHA officials cited coding errors for the remaining 23 inspections.

[16] At the time of our fieldwork, Calendar Year 2021 data for the "Summary of Work-Related Injuries and Illnesses" form was not available.

This issue is compounded by OSHA's failure to ensure that inspectors accurately code its inspection data. When the OIG raised questions with OSHA about inspection data that appeared to involve small employers in low-risk industries prior to issuing our 2026 alert memorandum, OSHA indicated that some inspections identified by the OIG may have been permissible but were incorrectly coded. The OIG is concerned that the agency lacks sufficient system and supervisory controls to ensure its inspection data is accurate and complete. Without an adequate process in place to ensure data is properly entered, there is a significant risk that OSHA inspection data does not accurately reflect the results in the case files. Erroneous inspection data could hinder informed decision-making and compromise the effectiveness of the agency's enforcement programs.

Further, OSHA's data accuracy and reliability issues could impact its ability to sufficiently identify and respond to significant workplace hazards—such as workplace violence. Workplace violence remains a top five leading cause of death for our Nation's workers. Between 2021 and 2022, the Bureau of Labor Statistics recorded 57,610 nonfatal workplace violence cases requiring at least 1 day off, with a median absence of 7 days. The health care and social assistance sector had the highest incidence, making up 72.8 percent of private industry cases over that period. In 2022, there were 524 workplace fatalities from homicides, up 8.9 percent from 2021; gunshot wounds accounted for 83 percent of these deaths. OSHA's ability to effectively respond to workplace violence depends on having complete and reliable data about worker injuries, hazards, and enforcement activity. We plan to perform an audit of OSHA's enforcement efforts related to workplace violence.

Finally, we found OSHA and MSHA are challenged in ensuring compliance with their appropriations acts as specified in our 2026 reporting. Specifically, in our September 2026 alert memorandum, we reported that, if OSHA conducted impermissible inspections under its authorized appropriations acts, it may have violated the Antideficiency Act. Further, we found MSHA data for mine emergency operations was unreliable, affecting MSHA's ability to accurately report its fiscal performance and potentially resulting in Antideficiency Act violations for 4 years.

Department's Progress

MSHA published its final rule on respirable crystalline silica on April 18, 2024, lowering the permissible exposure limit to 50 micrograms per cubic meter of air (µg/m3) for a full shift, calculated as an 8-hour time-weighted average for all miners. This rule is designed to lower miners' exposure to respirable crystalline silica and improve respiratory protection. However, before MSHA's silica final rule went into effect, several industry groups filed a request to block the rule's implementation. On April 11, 2025, the United States Court of Appeals for the Eighth Circuit issued an order staying the compliance deadlines for this rule until the court completes a review of the request. Accordingly, MSHA temporarily paused enforcement of the requirements in the silica final rule until the litigation is concluded. In 2026, MSHA submitted a revised silica rule to the Office of Management and Budget that is waiting to be finalized.

MSHA has also begun taking action to address numerous open recommendations from prior OIG reports related to mine emergency operations. Most recently, in response to our April 2026 mine emergency response report, MSHA implemented our recommended system controls—which should ensure withdrawal orders are appropriately issued—and developed a process to ensure periodic reviews of MSHA guidance for required updates. It also submitted corrective action plans for our remaining recommendations from this report. In addition, MSHA has shown it is working on corrective action plans for multiple unimplemented recommendations from our March 2017 report on emergency response plans.

OSHA finalized a new injury and illness reporting rule that went into effect on January 1, 2024. The rule revises the injury and illness reporting requirements for employers by adding a new category of workplace—establishments with 100 or more employees in industries designated as very high-risk. Specifically, the rule requires: (1) continued annual submission of the "Summary of Work-Related Injuries and Illnesses" (300A) form, (2) new annual submission of the "Log of Work-Related Injuries and Illnesses" (300) form, and (3) new submission of the "Injury and Illness Incident Report" (301) form, which provides details on the injuries and illnesses suffered at these workplaces.

To support implementation of this reporting rule, OSHA advised it updated the data collection capabilities of its Injury Tracking Application. This included developing a methodology and applications to collect, process, and analyze individual case reports of establishment-specific occupational injury and illness data from establishments with 100 or more employees in certain high-risk industries nationwide. OSHA conducted an initial analysis of the data, assigned occupation codes to individual cases, developed guidance materials for data users, and began initial steps to categorize data.



WHAT REMAINS TO BE DONE

Both MSHA and OSHA need to improve internal controls to ensure they are fully complying with their appropriation acts.

To improve the safety and health of miners, MSHA needs to:

- Improve various aspects of its preparedness for mine emergencies, including correcting issues identified from prior emergencies.
- Improve the internal control system for the mandatory inspections program.
- Improve internal controls related to its violation process.
- Implement its silica final rule once the temporary court order is resolved and enhance its sampling program to increase the frequency of inspector samples where needed.

To protect the safety and health of workers, OSHA needs to:

- Complete its initiatives to improve employer reporting of severe injuries and illnesses.
- Improve the accuracy of OSHA's inspection data to ensure its limited resources are used to execute a prioritized enforcement strategy.

CHALLENGE:

Enhancing Grant Management Amid Expanded Responsibilities



BACKGROUND

ETA manages programs that provide U.S. workers with job training services to enhance their employment opportunities primarily through state and local workforce development systems. For FY 2026, Congress enacted $3.9 billion to operate a system of education, skill-based training, and employment services for U.S. workers including low-income and dislocated workers, as well as at-risk and out-of-school youth. For FY 2027, the President's Budget continues to seek the establishment of—and requests $4.8 billion for—the Make America Skilled Again (MASA) program, which combines multiple existing workforce development programs into a single, consolidated grant program. The MASA grant initiative would consolidate the following individual programs:

- Adult Employment and Training Activities,
- Youth Activities,
- Dislocated Worker Employment and Training Activities,
- Dislocated Worker National Reserve,
- Indian and Native American Programs,
- National Farmworker Jobs Program,
- Reentry Employment Opportunities,
- Apprenticeship Program,
- Workforce Data Quality Initiative,
- YouthBuild, and
- Community Projects.

Additionally, since May 2025, through a partnership with the U.S. Department of Education (ED), DOL has committed to take on an expanded role in providing grant management services for more than 85 of ED's adult education and family literacy programs, as well as career and technical education programs, totaling at least $32 billion.[17]

CHALLENGE FOR THE DEPARTMENT

ETA has struggled to ensure grant recipients accomplish their planned performance results and expend funds effectively to achieve intended workforce outcomes. Further, the transfer of ED grant programs has increased ETA's responsibilities while it continues to administer the agency's existing grant portfolio. Additionally, our recent audits identified weaknesses in ETA's oversight of workforce development grants that led to potential waste of taxpayer dollars through questioned costs and funds for better use.

[17] DOL has committed to three interagency agreements with ED. Per the OIG's analysis of ED's FY 2027 Budget, collectively, the ED programs covered by these interagency agreements represent a portfolio of at least $32 billion.

Enhancing Grant Management Amid Expanded Responsibilities

ETA's effective management of its expanding grant portfolio will be critical to ensure efficient use of training investments to help U.S. workers succeed in the labor market.

ETA could face challenges—as can arise with new program development—as DOL transitions to the consolidated MASA grant program and takes on additional responsibilities through its partnership with ED. The proposed FY 2027 consolidation of workforce grants: (1) eliminates program-level funding detail as individual programs are no longer assigned specific budgets and (2) adds $1.4 billion in Career and Technical Education state grants and national programs to ETA's portfolio, which reflects a funding increase from previous years. While navigating shared program management with ED, ETA may encounter operational challenges. As identified in previous audits, ETA is challenged in effectively managing its grant portfolio. Without effective grant oversight across its expanding portfolio, ETA faces an increased risk of waste and improper payments. Effective management of grants awarded under the new MASA grant program and the transferred ED grants will be critical to ensuring these training investments are used efficiently to help U.S. workers succeed in the labor market.

Further, in March 2022, we issued an advisory report that highlighted three areas of overarching concern where our body of work over the previous decade identified weaknesses in DOL's management of its workforce development grants. Principally, we found ETA routinely had challenges: (1) awarding grants, (2) reviewing grant recipients' use of funds, and (3) measuring grant recipients' performance. Although DOL has addressed many of the related recommendations from our prior reports by enhancing grant oversight, we continue to identify weaknesses related to ETA's grant management in these areas.

With reports released in 2026, 2025, and 2023, we conducted a total of three audits to assess whether ETA grant recipients and subrecipients used grant funds for the intended purposes during the COVID-19 pandemic. These audits in Texas, New York, and New Jersey, respectively, identified comparable weaknesses in ETA's oversight of Workforce Innovation and Opportunity Act (WIOA) grants leading to potential waste through questioned costs and funds for better use.

In Texas, we found ETA did not ensure grant recipients and subrecipients: (1) efficiently used grant funds, (2) spent grant funds in compliance with federal guidelines, and (3) adequately documented career and training services provided to eligible participants. Additionally, the audit identified substantially higher program costs in Texas than the national average; more than $1 million in questioned costs; and ineffective monitoring controls and oversight. As a result of our findings, we estimated Texas could put as much as $218 million in future WIOA statutory grant funding to better use.

In New York, ETA did not ensure grant recipients and subrecipients utilized grant funds for their intended purposes, resulting in inaccurate participant reporting, inadequate documentation, and $25.4 million in questioned costs. In New Jersey, ETA did not ensure grant funds complied with federal requirements or were used to serve the intended population, resulting in approximately $7.2 million in questioned costs and over $100 million in funds put to better use.

In August 2026, we issued an audit report on ETA's need to improve oversight of its scaling apprenticeship grants. We found ETA did not effectively administer the program to ensure grant recipients achieved program goals. Specifically, ETA did not ensure grant recipients: (1) collected and maintained required documents to support participant eligibility and performance outcomes or (2) met its established program outcomes. These issues occurred because ETA did not: (1) ensure grant recipients had written procedures for maintaining documentation, (2) require validated data, or (3) effectively track findings through its monitoring system. As a result, we identified more than $255,000 in estimated questioned costs and over $64 million in funds for better use. Overall, we concluded that ETA could not provide reasonable assurance that more than $164 million in grant funds were used for their intended purposes.

In our January 2026 audit of the Veterans Employment and Training Service's Jobs for Veterans State Grants program, we identified eligibility documentation and participant validation continued to be a challenge across DOL grant programs. Among other findings, we found one state incorrectly recorded ineligible individuals as program participants. Consequently, up to $8.4 million in Jobs for Veterans State Grants funds spent by the state may represent unsupported costs, indicating a potential waste of taxpayer dollars.

In our August 2025 audit report, we identified that ETA did not effectively monitor grants awarded under the American Rescue Plan Act of 2021 to ensure they demonstrated measurable improvements. Specifically, we found ETA awarded $20.7 million in funding for 16 projects that failed to provide evidence in their grant applications that the unemployment benefit access issues they proposed to address existed in their state. We also found grant recipients did not report complete and accurate information—such as reporting on the outcome metrics required by their grant agreements—and failed to achieve project goals, resulting in $2.8 million in questioned costs. Additionally, ETA's rollout and design of the grants was inefficient and duplicative of another grant program. Enhanced coordination could have better informed grant projects, mitigated duplication of efforts, and increased project effectiveness.

DEPARTMENT'S PROGRESS

In the past, ETA had not established conflict-of-interest policies to mitigate the risk of grant recipients and their employees operating in a way that may call into question whether their actions, judgment, or decision-making can be unbiased. In May 2024, ETA issued its first

conflict-of-interest policy. Specifically, it updated its standard grant terms and conditions template for ETA grants to require grant recipients and subrecipients of federal assistance to have a written policy in place on conflicts of interest, including organizational conflicts of interest. ETA now requires the recipients' policies to include the process the grant recipient or subrecipient will take to identify, avoid, remove, and remedy conflicts of interest.

In response to our previous recommendations, ETA agreed to include a data validation review as part of the case file review process to ensure that performance data for WIOA programs include an accurate accounting of the number of participants, and that only individuals who receive services are counted as participants. Further, ETA agreed to increase technical assistance to all grant recipients for both eligibility and participant service documentation and to train Federal Project Officers on data validation.

To address risk tolerance for the amount of participants served under the WIOA Adult, Youth, and Dislocated Workers program, ETA developed an interactive Grant Health tool available to all Federal Project Officers through an internal data website. The tool provides an automated quarterly snapshot of grant data by combining participant, expenditure, and cost information into one view. Further, the tool helps identify outliers and trends; reduces manual analysis; and supports earlier, targeted technical assistance.

WHAT REMAINS TO BE DONE

The Department needs to:

- Establish and implement policies requiring grant recipients of non-WIOA programs to implement data validation procedures in line with WIOA documentation requirements.
- Improve the use of data analytics during the grant period in order to identify program challenges and trends.
- Develop and implement controls to ensure ETA leadership and other stakeholders are aware of the complete administrative costs—including those of workforce entities currently exempt from reporting administrative costs—incurred by the WIOA statutory grant programs.

CHALLENGE:

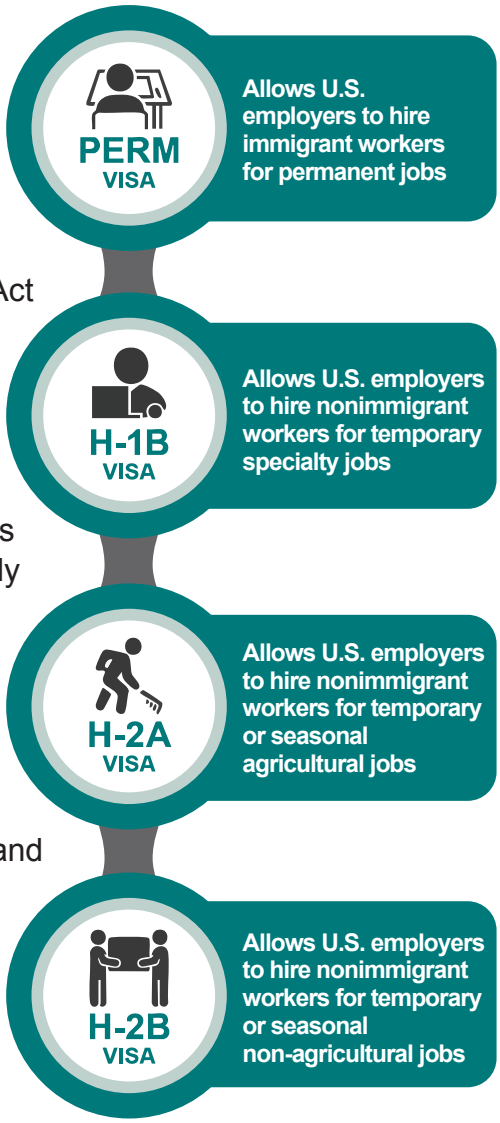
Maintaining the Integrity of Foreign Labor Certification Programs

BACKGROUND

Foreign labor certification programs permit U.S. employers to hire foreign workers on a temporary or permanent basis to fill jobs essential to the U.S. economy. These programs are designed to assure that the admission of foreign workers into the United States on a permanent or temporary basis will not adversely affect the job opportunities, wages, and working conditions of U.S. workers.

The programs involve a number of agencies within the Department, as well as state workforce agencies, U.S. Citizenship and Immigration Services, and the U.S. Department of State. The Immigration and Nationality Act and related laws assign specific responsibilities to the U.S. Secretary of Labor for employment-based immigration and temporary non-immigrant programs.

The Department's responsibilities include certifying whether able, willing, and qualified U.S. workers are available for jobs and whether there would be any adverse impacts on similarly employed U.S. workers if labor certifications allowing admission of foreign workers were granted. To carry out these responsibilities, the Secretary has delegated to ETA's Office of Foreign Labor Certification the processing of prevailing wage[18] determinations and reviewing permanent labor certification program (PERM), H-1B, H-2A, and H-2B employer applications. In addition, the Department's Wage and Hour Division conducts civil investigations of Foreign Labor Certifications to enforce certain worker protections that involve wages, working conditions, and similarly employed U.S. workers not being adversely affected in terms of working conditions and other employment benefits as a direct result of employment of foreign workers.



[18] The prevailing wage rate is defined as the average wage paid to similarly employed workers in a specific occupation in the area of intended employment. For more details, visit DOL's webpage on "Prevailing Wage Information and Resources."

CHALLENGE FOR THE DEPARTMENT

The Department continues to be challenged in maintaining the integrity of Foreign Labor Certification (FLC) programs. Specifically, prior audits have identified concerns regarding reliance on employer attestations in the application approval process for all four FLC programs. Further, OIG criminal investigations continue to reveal fraud in the programs based on such attestations. Employers' attestations are the main visa application criteria—meaning, employers agree to the conditions of employment without providing supporting documentation to validate their agreements. For example, a farmer may apply and state that, due to a lack of appropriate skilled local labor, a farm needs 50 foreign laborers for the upcoming season. Among other attestations, the farmer attests that the farm: (1) needs all those workers, (2) will pay the proper wage, and (3) will provide proper working conditions.

The Department is reliant on an employer's attestation that a given application meets its requirements for impacts on U.S. workers. For instance, employers self-attest whether they meet the requirements to determine if there is actually local labor available, or if hiring a foreign worker might otherwise adversely affect wages and working conditions of similarly employed U.S. workers. In addition, DOL must balance a thorough review of FLC visa applications with the need to timely process these applications to meet workforce demands.

Additionally, OIG investigations continue to reveal FLC program integrity challenges. Over the last 13 years, the OIG, along with other federal partners, have conducted 595 criminal investigative matters related to fraud in FLC programs (see Table).

Table: Breakdown of the OIG's Criminal Investigative Matters Related to FLC Programs, 2013–Present

FLC Program	Number of Investigative Matters	Percentage of Investigative Matters
H-1B	242	41%
H-2A	92	15%
H-2B	100	17%
PERM	67	11%
Other (e.g., multiple programs)	94	16%
Total	**595**	**100%**

Source: OIG investigations data

These investigations have shown FLC programs to be susceptible to significant fraud and abuse by perpetrators, including immigration agents, attorneys, labor brokers, employers, and organized criminal enterprises. For example, in one recent OIG investigation, an employer

was sentenced to 18 months in prison and ordered to pay more than $1.1 million in restitution for fraudulently placing H-2B workers in jobs not approved by DOL and for exploiting workers by paying them significantly less than the wages required under the H-2B program. In another investigation, two brothers were convicted after they built a complex criminal enterprise that amassed millions of dollars through multiple fraud schemes, including a visa fraud scheme to file false H-1B visa applications and petitions to exploit a workforce comprised of foreign nationals, mostly from India. Additionally, a U.S.-based company agreed to pay a $9.25 million settlement agreement with the U.S. Attorney's Office in the Southern District of Ohio for claiming to recruit foreign nationals through the H-1B and PERM programs. The settlement was in response to allegations related to submitting false visa immigrant applications and causing false statements to be made to government officials while recruiting nurses, physical therapists, and other healthcare professionals.

Significantly, OIG investigations also uncovered illegal activities of employers misusing FLC programs to engage in human trafficking—with victims being exploited for employers' economic gain. For example, in an ongoing OIG investigation, 25 individuals have pled guilty and been sentenced to date as part of a federal racketeering conspiracy, which victimized agricultural workers admitted to the United States under the H-2A temporary visa program. The coercive means in this scheme included: (1) confiscating the workers' passports; (2) subjecting the workers to crowded, unsanitary, and degrading living conditions; and (3) isolating the workers and limiting their ability to interact with anyone other than employees.

Each of the four FLC programs have unique rules, some resulting in specific integrity challenges. The H-2A visa program—which allows U.S. employers to hire nonimmigrant workers for temporary or seasonal agricultural jobs—has vulnerabilities related to its post-adjudication audits. For instance, in our February 2025 audit report on improvements that can be made to the H-2A program, we found the number of H-2A post-adjudication audits ETA performed represented a small portion of the universe of H-2A applications certified. Accordingly, we made several recommendations in our audit report and ETA took action to enhance its current post-adjudication procedures. However, the percentage of post-adjudication audits still needs to be improved.

The H-2B program—which allows U.S. employers to hire foreign workers for temporary or seasonal non-agricultural jobs—has seen rising demand while the availability of visas remains limited. The increase in applications impacts DOL's ability to process applications in a timely manner. Application processing delays tend to occur in advance of the peak spring and summer hiring seasons when application levels and employer workforce demands spike. These increases can temporarily overload FLC's case processing resources and increase the risk of delays. DOL is challenged to balance a thorough review of H-2B visa applications with the need to timely process these applications to meet workforce demands. Based on our September 2018 audit report on H-2B application processing, DOL implemented corrective

actions in the H-2B program to address application processing delays. The OIG is currently working on an audit to determine if processing times have improved.

The H-1B visa program—which allows U.S. employers to temporarily hire foreign workers in specialty occupations such as software engineers, software developers, or systems analysts—has significant vulnerabilities. OIG investigations have shown the H-1B visa program is susceptible to considerable fraud and abuse. One reason for this is the statutory requirement that the Department certify H-1B Labor Condition Applications within a short 7-day window unless it determines the applications to be "incomplete or obviously inaccurate."[19] The OIG continues to investigate and discover various fraud schemes within the H-1B program, including labor leasing,[20] benching of foreign workers,[21] and wage kickbacks.[22] In addition, the Wage and Hour Division is generally limited by statute[23] to conducting investigations of alleged H-1B violations only when a complaint has been filed. That puts tremendous pressure on and increases the risk for vulnerable individuals as foreign workers are generally reluctant to file complaints in fear of retaliation and losing their jobs.

PERM—which allows employers to hire foreign workers on a permanent basis in the United States—is another program that predominantly relies on attestations to verify whether employers are complying with its qualifying criteria. Once PERM visa applications are certified, unlike the H-2A and H-2B programs, ETA does not review applications to validate the integrity of employers' attestations. Further, the Wage and Hour Division does not have investigative authority in the PERM program and does not conduct follow-up investigations to verify whether the foreign workers are still working for the employers indicated in the original application.

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19 8 U.S.C. § 1182(n) and (t)

20 Labor leasing is when workers are provided to a third party that usually offers limited or no benefits to the workers and for a limited time.

21 Benching of foreign workers is when employers, during a period of low productivity or otherwise slow business, refuse to pay foreign workers their wages, also known as "benching" them.

22 A wage kickback is an illegal and fraudulent scheme in which an employer requires an H-1B worker to pay back or return a portion of their earned wages, often under threat of job loss or other reprisals. This scheme can also involve third-party staffing firms that place workers at client sites. The end result is workers being paid below the advertised Labor Condition Application prevailing wage. In the case of third-party staffing firms, this arrangement does not meet the employer-employee relationship required by U.S. Citizenship and Immigration Services. Further, if the anticipated job at the petitioning employer fails to materialize, H-1B workers are often used by these staffing firms to improperly work other jobs, often falling well outside their area of specialized skills or knowledge.

23 Under the Immigration and Nationality Act, before the Secretary may investigate an employer of H-1B workers, the Secretary must either: (a) have already found an employer to have willfully failed to meet the statutory requirements or (b) receive specific credible information from a known source likely to have knowledge of an employer's non-compliance or willful violations.

The Department continues to have limited authority over the H-1B and PERM programs, which challenges the goal of protecting the welfare of the Nation's workforce. The Immigration and Nationality Act limits DOL's ability to deny H-1B applications and to investigate potential violations. Further, the PERM program is persistently vulnerable to employers not complying with its qualifying criteria since it has limited authority to enforce compliance. Therefore, both the PERM and H-1B programs remain prone to fraud. Responding to this concern, in July 2026, in conjunction with the Task Force to Eliminate Fraud, the OIG launched a major investigation and is intensifying enforcement efforts to combat fraud and human trafficking in the H-1B and PERM visa programs. Further, we are planning a review of how employers use the H-1B and PERM programs to transition foreign workers from temporary to permanent positions.

In July 2026, in conjunction with the Task Force to Eliminate Fraud, the OIG launched a major investigation and is intensifying enforcement efforts to combat fraud and human trafficking in the H-1B and PERM visa programs.

DEPARTMENT'S PROGRESS

In June 2025, the Department established the Office of Immigration Policy. The office works in collaboration with all relevant agency heads with respect to oversight, strategic planning, and management related to immigration. The Office of Immigration Policy's responsibilities, among others, include:

- in consultation with the Assistant Secretary for ETA, monitoring the administration of foreign labor certification activities and developing customer-centered policies to: (1) improve access to employment based visa programs, (2) optimize program performance, and (3) ensure use of the latest technologies to improve service delivery and continuity of operations, and
- overseeing coordination with and between other relevant federal agencies, including the U.S. Departments of Homeland Security, State, and Agriculture.

In September 2025, the Department announced the launch of Project Firewall, an H-1B enforcement initiative that will safeguard the rights, wages, and job opportunities of highly skilled American workers by ensuring employers prioritize qualified Americans when hiring workers and holding employers accountable if they abuse the H-1B visa process. As authorized by federal law, the Department will conduct investigations of employers to maximize H-1B program compliance. To achieve this goal, the Secretary of Labor will personally certify the initiation of investigations for the first time in the Department's history.

As of July 2026, ETA has updated its H-2A Risk-Based Audit Selection Standard Operating Procedures to include reasoning for the quantity of audits selected and risk factors for each group of post-adjudication selections. Additionally, ETA plans to enhance and implement its H-2A post-adjudication guidance. Specifically, the guidance will: (1) include appropriate documentation to use when initiating audits and (2) update the H-2A Post-Certification Audit Procedures to reflect current procedures performed within the Foreign Labor Application Gateway (FLAG) H-2A Case Processing Module.

Also in July 2026, the Department proposed regulatory changes to the PERM program. Specifically, DOL proposed to: (1) modernize employer recruitment requirements, (2) strengthen safeguards for U.S. workers impacted by layoffs, and (3) enhance employer compliance with program requirements related to record retention and non-discriminatory recruitment and hiring practices.

Lastly, in many of its past budgets, the Department has requested authorization through its annual budget formulation process to establish and retain fees to cover the operating costs for FLC programs. This proposal aligns DOL with the funding structures used by the U.S. Departments of Homeland Security and State to finance their application processing activities related to these programs. Having a similar model for foreign labor certifications at DOL would eliminate the need for congressional appropriations and create a funding structure responsive to market conditions.

WHAT REMAINS TO BE DONE

For all FLC programs, the Department needs to:

- Continue to refer all potentially criminal violations to the OIG in a timely manner.
- Enhance the reporting and application of suspensions and debarments government-wide when employers are found culpable of abusing the programs.
- Pursue statutory and regulatory authority to strengthen its ability to debar employers who abuse these programs.

For the H-1B visa program, the Department needs to:

- Take action to protect U.S. workers from any adverse effects on wages and working conditions caused by employing H-1B visa holders.[24]
- Seek statutory authority to verify the accuracy of information provided on H-1B labor condition applications.

[24] As required of the U.S. Departments of Labor and Homeland Security, according to Executive Order 13940, issued on August 3, 2020.

For the H-2B visa program, the Department needs to:

- Continue its efforts to ensure applications are processed in time to hire foreign workers by employers' dates of need while also ensuring the review process protects the interests of U.S. workers.

For the PERM visa program, the Department needs to:

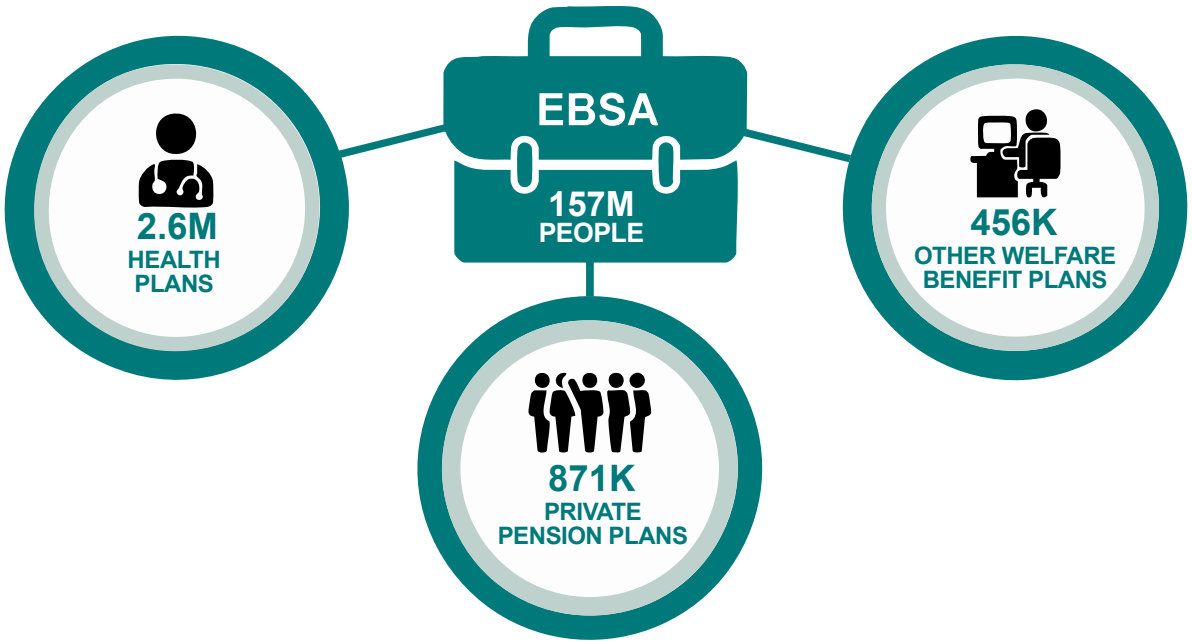
- Perform post-adjudication reviews to validate the integrity of employers' attestations once applications have been certified since the majority of the applications are submitted for review without documentation to prove or support employers' attestations.
- Investigate whether PERM workers are still working for the employers designated in the applications.

CHALLENGE:

Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families

BACKGROUND

The Employee Benefits Security Administration (EBSA) protects the integrity of pension, health, and other employee benefit plans of about 157 million workers, retirees, and their families under the Employee Retirement Income Security Act of 1974 (ERISA).[25] The agency's responsibilities include enforcement authority over approximately 2.6 million health plans, 871,000 private pension plans, and 456,000 other welfare benefit plans, which collectively hold approximately $16.2 trillion in assets. It also has interpretive and regulatory responsibilities for about $18.2 trillion in Individual Retirement Accounts.



Additionally, EBSA provides oversight of the federal government's Thrift Savings Plan (TSP), the largest defined contribution retirement plan in the United States, with more than 7.3 million participants and over $1.15 trillion in assets according to EBSA as of June 2026.

[25] ERISA is a federal law that sets minimum standards for most voluntarily established retirement and health plans in private industry to protect individuals in these plans.

CHALLENGE FOR THE DEPARTMENT

EBSA faces the challenge of allocating its limited resources in a way that will maximize its efforts. EBSA indicated that with roughly 1 investigator for every 18,800 plans, EBSA cannot audit even a fraction of ERISA-covered plans in a given year.



Further, these staffing levels significantly impact EBSA's enforcement program, including its ability to quickly adapt to fast-paced market conditions, new and emerging retirement investment options, and implement statutory changes without commensurate resources. Recent statutory changes affecting ERISA-covered plans include:

- Congress' creation of a new class of plan sponsor (pooled plan providers) in 2019;
- the Consolidated Appropriations Act of 2021's comprehensive amendments to ERISA, which translated into fundamental changes to laws governing:
  - surprise medical bills,
  - price transparency,
  - fee disclosure,
  - prescription drug coverage reporting,
  - air ambulance reporting,
  - Independent Dispute Resolution, and
  - parity in the provision of mental health and substance use disorder benefits; and
- requirements mandated by the SECURE 2.0 Act of 2022 (e.g., establishing new reporting and disclosure provisions for retirement plans).

EBSA also faces the challenge of ensuring private-sector group health plans—which cover approximately 136 million current and former workers and their families—comply with federal

health insurance regulations. This includes the Mental Health Parity and Addiction Equity Act of 2008, which requires most plans and health insurance companies to cover mental health and substance use disorder benefits in parity with the way they cover benefits for physical health. This is critical as workers suffering from mental health and substance use disorder conditions could have limited resources to access and pay for care when benefits have been improperly denied or limited. In our February 2025 audit report, we found that EBSA's ability to enforce Part 7 of ERISA's group health plan requirements could improve with additional authority to compel employer compliance (e.g., levying fines and penalties). We also recommended EBSA develop procedures to better use its existing tools and issue additional guidance, which EBSA addressed in September 2026.

EBSA investigates health care fraud that impacts both ERISA-covered plans and federal programs, causing harm to both. A recent multi-agency investigation including the OIG uncovered a nationwide medical reimbursement account scam that defrauded investors of over $4 million. This investigation held the fraudsters accountable for their actions and strengthened efforts to protect taxpayer dollars.

Cybersecurity breaches pose a significant threat to the over $1.15 trillion in Thrift Savings Plan assets and potentially trillions of dollars in other ERISA-covered retirement plan assets.

Additionally, EBSA has limited legal authority to enforce its oversight of over $1.15 trillion in TSP assets and to compel the Federal Retirement Thrift Investment Board (the Board), which administers the TSP, to act on EBSA's recommendations, including significant recommendations related to cybersecurity. While EBSA has worked with the Board to improve the TSP's cybersecurity posture, a significant portion of the TSP's infrastructure was transferred to an outside third-party vendor. Accordingly, EBSA may need to take additional action to ensure TSP assets, accounts, and data are adequately protected. Due to the threat cybersecurity breaches pose to the TSP and potentially trillions of dollars in other ERISA-covered retirement plan assets—and due to the technical expertise required to assess plan security—this is a crucial management challenge as well.

DEPARTMENT'S PROGRESS

EBSA continues to focus its enforcement resources on areas that have the greatest impact on the protection of plan assets and participants' benefits. Priority areas include cybersecurity, addressing barriers to mental health and substance use disorder benefits, surprise billing, protecting benefit distributions, and retirement asset management.

EBSA also pursues its mission to ensure the security of retirement, health, and other job-based benefits of America's workers and their families by: (1) developing effective

regulations; (2) assisting and educating workers, plan sponsors, fiduciaries, and service providers; and (3) working with the Office of the Solicitor on amicus briefs to help clarify and advance the Department's perspective on employee benefits-related legal topics.

WHAT REMAINS TO BE DONE

Regarding the challenge of protecting retirement, health, and other benefit plans for workers, retirees, and their families, EBSA needs to:

- Continue to investigate health care fraud to protect ERISA-covered plans and their participants and beneficiaries.
- Continue to explore options to maximize the impact of its constrained resources to carry out the type and number of investigations, audits, reviews, and compliance assistance activities necessary to best protect workers' pensions, health, and other benefits.
- Effectively protect federal employees' retirement assets by seeking amendments to the Federal Employees' Retirement System Act of 1986 that would broaden its enforcement authority and thus compel the Board to implement its audit recommendations regarding the TSP.

CHALLENGE:

Providing a Safe, Secure, and Healthy Learning Environment at Job Corps Centers



BACKGROUND

Job Corps is the largest nationwide residential career training program in the United States. It offers eligible individuals aged 16 to 24 the opportunity to complete their high school education, receive training for meaningful careers, and obtain assistance with securing employment. In FY 2026, the program received approximately $1.7 billion to serve these at-risk youth. As part of the Department's FY 2027 budget proposal, it requested approximately $90 million to support the orderly shutdown of Job Corps' 99 contractor-operated centers. This is a decrease of $1.5 billion from the FY 2026 enacted level. Per the Department, this request supports the final phase of DOL's responsibilities under WIOA and provides for final contract closeout and transition services for remaining students and staff. On August 10, 2026, the Department reached a settlement agreement to rescind its May 29, 2025, "pause in contractor operated Job Corps centers nationwide." Given the recent settlement agreement, the OIG is monitoring the Department's FY 2027 budget proposal.

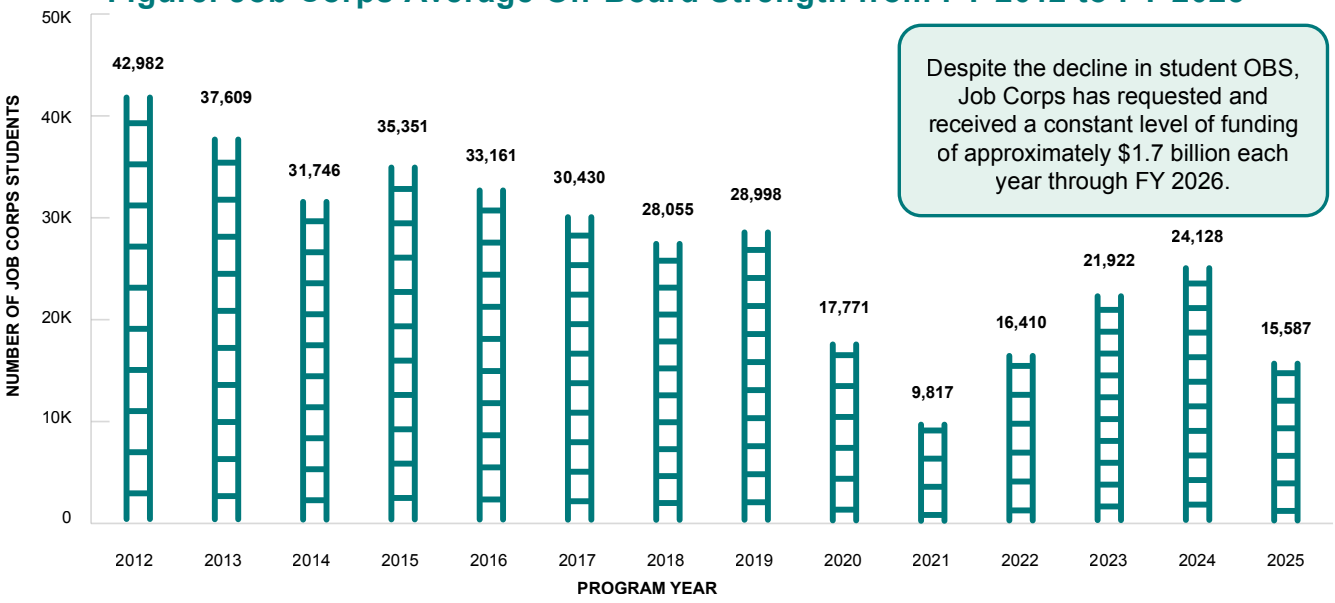
CHALLENGE FOR THE DEPARTMENT

With the Department's decision to rescind the termination notices it sent to contractor-operated Job Corps centers, it will need to face the exacerbated challenge involving student enrollment, as well as longstanding challenges involving campus safety, security, and health for students and staff.

In light of the recent uncertainty surrounding the future of the Job Corps program, ETA has encountered challenges sustaining program operations, including staff recruitment and student enrollment and retention. Public reports indicate that prospective students, current students, employers, and community partners have also been affected by the uncertainty of the program's long-term availability. In 2020, the U.S. Government Accountability Office reported that a prior proposed closure effort that paused recruitment and enrollment led to lost staff and lower student enrollment, and it took several months to recover stable levels of participation after that announcement. Maintaining program operations during periods of uncertainty is essential to preserving access for eligible youth to continue to receive services and benefit from the program's mission. Further uncertainty is created by the Department's FY 2027 proposed budget. The proposed budget does not seem to support the decision to continue Job Corps operations. The OIG is concerned about how Job Corps center operations will continue on a significantly reduced budget and how the Department plans to support enrollment.

Moving forward, Job Corps will need to address its challenge of continuously declining student enrollment, as demonstrated by its on-board strength (OBS) numbers. The latest average student OBS for Program Year (PY) 2025 is at a nearly all-time low of 15,587 students. The only other program year since 2012 with a lower OBS was in PY 2021 during the COVID-19 pandemic when OBS reached 9,817 due to the suspension of in-person instruction and new student enrollments. Before the pandemic, average OBS dropped from approximately 42,982 students in PY 2012 to 28,998 in PY 2019.[26] Even after the pandemic when Job Corps resumed in-person instruction and student enrollment, average OBS remained well below pre-pandemic levels and has continued to do so through PY 2025 (see Figure). Despite the decline in student OBS, Job Corps has requested and received a constant level of funding of approximately $1.7 billion each year through FY 2026. When student OBS goes down, Job Corps should reevaluate its center operation costs, including the extent its centers are being used to their full capacity.

Figure: Job Corps Average On-Board Strength from PY 2012 to PY 2025



Source: Data provided by ETA as of July 15, 2026

Further, Job Corps will need to address challenges in maintaining a secure, safe, and healthy learning environment for its students and staff. In previous audits, we found a wide range of safety and security issues at Job Corps centers, including security staff shortages, failure to report and investigate serious student misconduct such as drug abuse and assaults, and downgrading incidents of violence to lesser infractions. In addition to the health and safety impact of these issues, we are concerned that issues of this nature could also potentially hinder student recruitment.

[26] In PY 2012, there were 126 active Job Corps centers and 4 non-residential satellite centers. In PY 2019, there were 121 active Job Corps centers.

In PY 2025, Job Corps centers reported 769 on campus assaults—almost 50 percent less than reported in PY 2024. However, the prevention of on campus violence and other potentially criminal behavior remains a significant challenge for Job Corps centers.

In addition to physical security protocols, part of establishing a safe, secure, and healthy learning environment entails Job Corps considering how the program can better serve students facing difficulties, such as those attributed to mental health challenges and substance abuse, which frequently occur in tandem. In a March 2021 audit, we found center personnel observed an increase in the number of separations due to mental health and substance abuse issues and reported an increase in the number of violent incidents from mental health problems.

In an upcoming audit, the OIG plans to assess the actions Job Corps has taken or plans to take to address key program challenges and improve program performance, cost effectiveness, safety and security, and participant outcomes.



DEPARTMENT'S PROGRESS

In response to our audits, Job Corps has taken steps to improve center safety and security by establishing stronger internal controls and security measures.

Job Corps implemented a recurring review of centers' Safety and Security Standard Operating Procedures to ensure screening procedures, documentation steps, and coordination requirements are consistently applied by center operators. These reviews create clearer expectations for staff and ensure a more uniform execution of safety and security measures across centers.

Additionally, during the outreach and admissions period, center staff are being provided with enhanced materials and guidance to educate applicants early in the enrollment process about center safety expectations, prohibited items, and screening protocols. This proactive communication has helped set clear expectations before students arrive on campus.

To help prevent opioid overdoses, Job Corps developed an emergency response strategy in 2023 requiring that Narcan[27] and other life-saving devices be readily available on campus. Additionally, it requires all staff and students to be trained in how to identify an opioid overdose and administer Narcan. Most recently, in July 2026, Job Corps issued Program Instruction Notice 26-03: Opioid Overdose Prevention and Response in Job Corps to strengthen emergency response procedures, including Narcan administration, to emphasize prevention and timely intervention to opioid-related incidents.

Further, Job Corps took significant steps to more accurately measure and report its drug control activities in support of the President's National Drug Control Strategy. Specifically, Job Corps improved how it measured and established targets for: (1) drug testing students upon entry and (2) follow-up drug testing of students, including metrics to track students who remained in the program based on its results.

WHAT REMAINS TO BE DONE

To address declining student enrollment and ensure eligible youth continue to have access to Job Corps' education, training, and supportive services, Job Corps needs to:

- Develop and implement effective strategies to increase student enrollment, restore participation closer to pre-pandemic levels, and ensure center capacity and program resources are efficiently used.

To advance health, safety, and security measures for its students and staff on-site at its centers, Job Corps needs to:

- Ensure existing policies and procedures are continuously reviewed and monitored for compliance.
- Ensure center operators and regional office personnel fully enforce Job Corps' safety and security policies to improve campus security and control violence.

To inform agency decision-making and assess the impact of proposed, planned, and implemented security reforms, Job Corps needs to continue to:

- Timely identify and remediate non-compliance.

[27] Narcan (generic Naloxone) is a lifesaving emergency treatment that can reverse the effects of an opioid overdose if administered quickly.

CHALLENGE:

Managing Medical Benefits in the Office of Workers' Compensation Programs



BACKGROUND

The Department's Office of Workers' Compensation Programs (OWCP) provides compensation and medical benefits to workers for employment-related injuries or occupational diseases. During FY 2025, OWCP paid medical benefits in the amounts of $885 million under the Federal Employees' Compensation Act (FECA) and approximately $1.86 billion for home and residential[28] health care under the Energy Employees Occupational Illness Compensation Program Act (Energy).

CHALLENGE FOR THE DEPARTMENT

OWCP, by nature of the programs, is continually challenged to address the inherent high risk of fraud, waste, and abuse as it manages medical benefits in its workers' compensation programs. This challenge includes effectively managing improper payments in the FECA program. In the Energy program, similar to agencies DOL-wide, OWCP is hampered by flat budgets and rising costs that reduce available resources. Other challenges relate to determining the necessity and appropriateness of home and residential health care costs and ensuring timely claims processing and that payments are adequately supported.

OIG criminal investigations continue to identify fraud, which is a continued risk, in OWCP's programs. As part of the 2026 National Health Care Fraud Takedown,[29] OIG criminal investigations found the following:

- The medical director of a cardiovascular testing and treatment practice was charged in connection with an $89 million scheme to bill for unnecessary cardiovascular tests, such as EKGs and echocardiograms, conducted on student athletes at school campuses.
- A co-owner of a purported physical therapy business was indicted on conspiracy to commit health care fraud. The co-owner allegedly submitted false and fraudulent claims for one-on-one physical therapy when no one associated with the business was

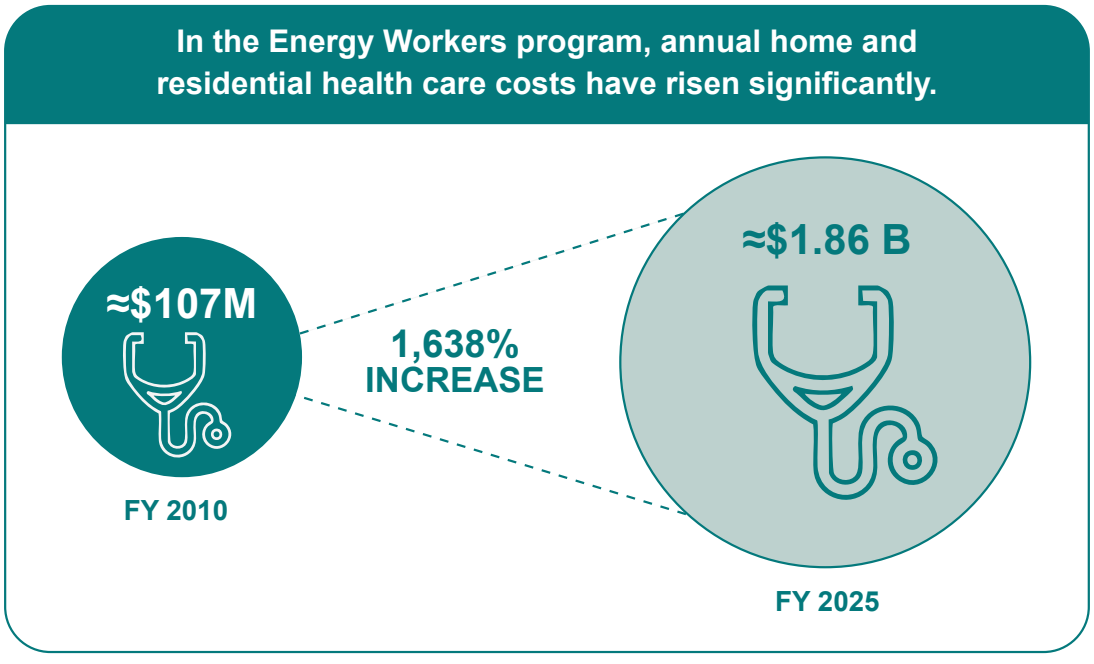
[28] Home and residential health care includes medically appropriate care from qualified providers either in the home or in an authorized facility (e.g., nursing or assisted living facilities, hospice).

[29] The 2026 National Health Care Fraud Takedown involved a coordinated enforcement action involving a whole-of-government approach, which resulted in charges against 455 defendants for alleged health care fraud and opioid abuse schemes involving over $6.5 billion.

onsite. Instead, while being monitored remotely through a security camera, patients were watching television, eating, using their personal phones, or independently exercising. OWCP was billed for at least $3 million in claims involving services that were not provided.

For the FECA program, OWCP is challenged to effectively oversee billions of dollars in disability payments made to injured federal workers to ensure the payments are adequately supported and effectively managed. For instance, from July 1, 2024, to June 30, 2025, the FECA Program processed a total of over 8 million compensation and medical payments. Specifically, 180,272 beneficiaries received $3.96 billion in benefit payments, including $2.93 billion for wage-loss compensation, $140 million for death benefits, and $890 million for medical benefits. For these payments, OWCP is responsible for helping to prevent improper payments, overpayments, and payments that are not supported by sufficient documentation or eligibility requirements.

For the Energy program, in May 2024, we reported OWCP could enhance its medical claims processing. For example, we found OWCP did not use complete information to measure and publicly report how long it took to make claims decisions, from start to finish. This distorted the perception of how long claimants waited for decisions needed to receive compensation and medical expense coverage. Our analyses showed wait times for final decisions increased from an average of 182 days in FY 2018 to 207 days in FY 2022, even though the volume of final decisions dropped. In addition, annual home and residential health care costs have risen from almost $107 million in FY 2010 to approximately $1.86 billion in FY 2025. With an aging claimant population and a significant increase in OWCP spending for home and residential health care costs, there is a higher risk of improper payments and misuse of public funds.



DEPARTMENT'S PROGRESS



To address the OIG's concerns with OWCP's management of the use and cost of pharmaceuticals in the FECA program, OWCP strengthened controls over compounded drugs and opioids and improved the capability of its Program Integrity Unit to proactively identify potential fraud through the use of data analytics and data science. Most significantly, in 2021, OWCP contracted with a pharmacy benefit manager[30] that is responsible for pharmaceutical transactions, including pricing for prescription drugs, which resulted in a significant reduction to overall pharmaceutical spending—from over $436 million in FY 2016 to approximately $40 million in FY 2025. In 2023, OWCP contracted with another pharmacy benefit manager to cover pharmaceutical transactions for both the Energy and Black Lung programs. In 2026, OWCP awarded a comprehensive contract for pharmacy benefit services—covering prescription drugs, durable medical equipment, and diagnostic services—for all four of its programs: FECA, Energy, Black Lung, and Longshore. This fixed service fee contract will also require a transparent pass-through pricing model[31] where a portion of pharmaceutical rebates are remitted to OWCP.

For the Energy program, OWCP is working to improve the timeliness of its claims processing. In addition, OWCP continues to analyze and audit home and residential health care billing practices in the Energy program so it can revise billing rules and policies when it uncovers abusive practices. Additionally, the Energy Program works with the OIG to provide data and information that is used to identify high-risk home and residential health care providers for investigation.

[30] Pharmacy benefit managers are third-party administrators of prescription drug programs, primarily responsible for: (1) developing and maintaining formularies, which include an approved listing of prescriptions; (2) negotiating discounts and rebates with drug manufacturers; and (3) processing and paying prescription drug claims.

[31] The contractor passes through the actual prices paid to dispensing pharmacies.

WHAT REMAINS TO BE DONE

To more effectively manage medical benefits in its workers' compensation programs, OWCP needs to continue to:

- Determine the best practices insurance providers and other federal, state, and local agencies have adopted to successfully manage medical costs and identify those that might be most suitable for its own programs.
- Expand its use of data analytics to monitor medical costs and identify risks, trends, and emerging issues before they become critical issues.
- Monitor closely the performance of its pharmacy benefit services contractor(s) to ensure appropriate prices and savings.

For the FECA program, OWCP needs to continue to:

- Analyze and monitor FECA costs to promptly detect and address problems given the high risk of fraud and abuse related to prescription payments.
- Evaluate alternate pricing methodologies and other sources regularly and update its pricing methodology as appropriate to ensure competitive prices.
- Monitor the effectiveness and implementation of policy and process changes related to claimant prescriptions.

For the Energy program, OWCP needs to continue to:

- Regularly analyze home and residential health care billings for unethical practices and refer instances involving potential fraud or abuse to the OIG for further investigation.

CHALLENGE:

Managing and Securing Data and Information Systems



BACKGROUND

The Department and its program agencies depend on reliable and secure IT systems to perform their mission critical functions. These systems maintain critical and sensitive data related to financial activities, enforcement actions, job training services, pensions, welfare benefits, and worker safety and health. In FY 2026, DOL invested an estimated $683 million in IT to implement services and functions needed to safeguard the U.S. workforce.

CHALLENGE FOR THE DEPARTMENT

The Department continues to be challenged in securing and managing data and information systems, particularly in the following areas: (1) maintaining an effective information security program, (2) providing effective oversight of third-party IT systems and services, and (3) IT governance.

DOL remains challenged to adequately implement information security controls and technology tools required to manage and monitor IT security. In our FY 2025 audit of DOL's information security program,[32] the Department's IT security program was assessed overall as not effective according to the CyberScope rating.[33] This rating is based on the Department's challenges implementing cybersecurity governance and identifying security weaknesses. We also highlighted as a significant deficiency in our FY 2025 Consolidated Financial Statements audit that DOL did not sufficiently monitor the effectiveness of segregation of duties and system access controls.

As DOL becomes increasingly reliant on contracted systems and services to meet its mission requirements, DOL continues to be challenged in providing effective oversight of these third-party IT resources. Effective oversight demands specialized expertise along with greater diligence and coordination across multiple mission teams. Our audits continue to identify weaknesses in DOL's oversight of its third-party IT systems and services, including contracted cloud systems and DOL's partially serviced systems.

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[32] Under the Federal Information Security Modernization Act of 2014 (FISMA), the OIG is required to perform annual independent evaluations of the Department's information security program and practices.

[33] CyberScope, operated by the U.S. Department of Homeland Security on behalf of the Office of Management and Budget, is a web-based application designed to streamline IT security reporting for federal agencies. It gathers and standardizes data from federal agencies to support FISMA compliance. The rating of "not effective" was based on a calculated score of the individually assessed maturity levels for the FY 2025 Core Inspector General Metrics and Supplemental Metrics.

In addition, we have renewed our past concerns about the Department's IT governance. The Department's Office of the Chief Information Officer has experienced significant staffing changes, including the loss of federal staff and contract support. While the Office of the Chief Information Officer has made adjustments, key position vacancies remain. Recent audit work evaluated the impact of these staffing changes on the Department's ability to provide the governance and oversight required to sufficiently secure DOL's data and information systems. We found staffing vacancies and inadequate resources may result in a lack of oversight and ineffective operation of security controls and key IT processes. As a result, these deficiencies could potentially impact DOL's operational capabilities and compliance with federal cybersecurity mandates.

DEPARTMENT'S PROGRESS

In an effort to better manage resources and projects by modernizing, securing, and consolidating IT, DOL previously reorganized and continues to manage some of its IT resources and capabilities within a shared services environment under the Office of the Assistant Secretary for Administration and Management. This effort included realigning information processes and personnel.

WHAT REMAINS TO BE DONE

The Department needs to improve its governance and management over DOL agencies' IT and systems. To improve the security of its information systems, the Department needs to:

- Strengthen its oversight through the implementation of information security policies, procedures, and controls.
- Focus on recurring information security deficiencies.
- Ensure the implementation of security requirements with its third-party cloud systems and IT services.
- Fill critical vacancy gaps in information security staffing and resources.