



September 17, 2010

Mr. T. Michael Kerr  
Assistant Secretary for Administration  
and Management  
U.S. Department of Labor  
200 Constitution Avenue, NW  
Washington, D.C. 20210

RE: Report No. 18-10-011-07-001, "Recovery Act: Use of Departmental Management Funds"

The purpose of this letter report is to inform you of the results of our performance audit to determine if the Department of Labor (Department) has plans to ensure it properly obligates Departmental Management (DM) funds received under the American Recovery and Reinvestment Act of 2009 (Recovery Act) by September 30, 2010.

The Recovery Act was signed into law by President Obama on February 17, 2009. The Department was required to increase employment and training opportunities, expand unemployment benefits, enforce worker protection laws, encourage collaboration between the public workforce investment system and other agencies that received Recovery Act funds for infrastructure projects, and construct, rehabilitate, acquire, and operate Job Corps Centers.<sup>1</sup> The Recovery Act requires Federal agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how their tax dollars are being spent.

The Recovery Act designated \$80 million for DM purposes. DM funding can be used for the enforcement of worker protection laws and regulations, oversight, and encouraging collaboration between the public workforce investment system and other agencies that received Recovery Act funds for infrastructure projects. Within the Department, the Office of the Assistant Secretary for Administration and Management (OASAM) is responsible for oversight and monitoring of DM funding. The Recovery Act required the Department to submit an operating plan to Congress explaining its planned use for \$80 million, which, according to the Recovery Act, should be obligated by September 30, 2010.

Our objective was to determine if the Department has plans to properly obligate the \$80 million in DM funds by September 30, 2010.

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<sup>1</sup>See Attachment 1 for a detailed listing of Recovery Act funding provided to the Department.

To meet our objective, we reviewed DM Recovery Act obligation reports and the operating plans the Department submitted to Congress during the period September 30, 2009, to August 13, 2010, and obtained an understanding of internal controls as they related to our audit objective. We interviewed Department officials in Washington, D.C., to obtain explanations from agencies that did not plan to use all of their DM funds.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **Results**

As of August 13, 2010, the Department had obligated \$37.1 million of the \$80 million in Recovery Act funds designated for DM purposes, and had plans to obligate another \$24.1 million. The Department did not have plans to obligate the remaining \$18.8 million. (See Attachment 2 for details of the Recovery Act obligations.)

Nothing came to our attention that DM Recovery Act funds were obligated for anything other than the purposes intended. The Department issued guidance to agency heads on recording Recovery Act DM obligations, assigned a unique Treasury Appropriation Fund Symbol for Recovery Act DM obligations, approved agency operating plans, and instituted a process whereby agency liaisons and the Chief Financial Officer review Recovery Act DM obligations.

The Recovery Act states that funds not obligated by September 30, 2010, will expire. As of August 13, 2010, the Department had not submitted a revised operating plan to Congress. (See Attachment 3 for the three operating plans submitted to Congress by the Department.)

According to Department officials, the need for DM funds has been less than originally anticipated; therefore, not all of the \$80 million has been obligated. For example, Wage and Hour Division's plan to obligate \$21.9 million decreased to \$15.1 million because it hired 94 employees instead of the 116 it expected to hire. Also, officials in the Office of Labor Management Standards (OLMS) stated due to delays the Federal Transit Administration<sup>2</sup> (FTA) experienced in awarding Recovery Act funds for public transit projects, the original budget projections for the number of grant applications that FTA would refer to OLMS for certification were overstated. As a result, OLMS plans to obligate approximately \$154,000 of its \$470,000 Recovery Act funding.

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<sup>2</sup>An agency within the U.S. Department of Transportation.

We appreciate the assistance and cooperation that Department personnel extended to the Office of Inspector General during this audit. Please contact Paula N. Denman, Audit Director, at (972) 850-4003, if you have any questions.



Elliot P. Lewis  
Assistant Inspector General  
for Audit

cc: Edward C. Hugler, Senior Accountable Official for the American Recovery and Reinvestment Act of 2009

The Recovery Act provided the Department with approximately \$70.8 billion as of August 19, 2010.

| <b>Department of Labor Recovery Act Funding, as of August 19, 2010 (unaudited)</b> |  |                |
|--|--|----------------|
| <b>Program</b>   | <b>Amount<sup>a</sup><br/>(millions)</b> | <b>Percent</b> |
| Unemployment Insurance   | \$65,996                                 | 93.17          |
| Training and Employment Services   | 3,950                                    | 5.58           |
| State Unemployment Insurance and Employment Service Operations                     | 400                                      | 0.56           |
| Community Service Employment for Older Americans                                   | 120                                      | 0.17           |
| National Emergency Grants for Health Insurance Coverage                            | 40                                       | 0.06           |
| Job Corps  | 250                                      | 0.35           |
| Departmental Management  | 80                                       | 0.11           |
| <b>Total</b>   | <b>\$70,836<sup>b</sup></b>              | <b>100.00</b>  |

<sup>a</sup> – The amounts other than Unemployment Insurance and National Emergency Grants for Health Insurance Coverage were obtained from the Recovery Act dated February 17, 2009. The Unemployment Insurance amount was provided by the Office of the Assistant Secretary for Administration and Management, and includes amounts made available for Federal and State Extended Benefits, Extension of Emergency Unemployment Compensation, and Federal Additional Unemployment Compensation programs. The National Emergency Grants for Health Insurance Coverage amounts were adjusted in United States Public Law 111-226 (HR 1586).

<sup>b</sup> – The total amount does not include \$6 million provided to the OIG to provide oversight over the Department's Recovery Act activities.

| <b>DM Recovery Act Obligations as of August 13, 2010 (unaudited)</b> |                      |                                     |   |                                    |                                  |
|--|----------------------|-------------------------------------|---|------------------------------------|----------------------------------|
| Cumulative Dollars (000's)   |                      |                                     |   |                                    |                                  |
| <b>Agency</b>  | <b>Apportionment</b> | <b>Obligated</b><br>(as of 8/13/10) | <b>Currently Not Obligated</b><br>(as of 8/13/10) | <b>Currently Not Obligated</b>     |                                  |
|  |                      |                                     |   | Intend to Obligate<br>(by 9/30/10) | May Not Obligate<br>(by 9/30/10) |
| Wage and Hour Division   | \$15,119             | \$9,584                             | \$5,535   | \$3,977                            | \$1,558                          |
| Employment and Training Administration                               | 14,968               | 7,765                               | 7,203   | 4,446                              | 2,757                            |
| Occupational Safety and Health Administration                        | 12,995               | 6,102                               | 6,893   | 2,284                              | 4,609                            |
| Employee Benefits Security Administration                            | 8,105                | 5,127                               | 2,978   | 1,428                              | 1,550                            |
| Office of Federal Contract Compliance                                | 7,282                | 2,832                               | 4,450   | 1,365                              | 3,085                            |
| Office of the Solicitor  | 3,282                | 3,025                               | 257   | 257                                | 0                                |
| Office of the Assistant Secretary for Administration and Management  | 2,502                | 1,737                               | 765   | 765                                | 0                                |
| Office of Recovery for Auto Communities and Workers                  | 710                  | 410                                 | 300   | 300                                | 0                                |
| Office of the Chief Financial Officer                                | 621                  | 392                                 | 229   | 229                                | 0                                |
| Office of Labor Management Standards                                 | 470                  | 151                                 | 319   | 3                                  | 316                              |
| Not Obligated  | 13,946               | 0                                   | 13,946  | 9,000                              | 4,946                            |
| <b>Total</b>   | <b>\$80,000</b>      | <b>\$37,125</b>                     | <b>\$42,875</b>                                   | <b>\$24,054</b>                    | <b>\$18,821</b>                  |
| <b>Percent of Apportionment</b>                                      | <b>100%</b>          | <b>46.4%</b>                        | <b>53.6%</b>                                      | <b>56.1%</b>                       | <b>43.9%</b>                     |

Source: Office of the Chief Financial Officer

| <b>Three Approved Operating Plans for DM – Submitted to Congress (Unaudited)</b> |                           |                                |                           |                                |                           |
|--|---------------------------|--------------------------------|---------------------------|--------------------------------|---------------------------|
| Cumulative Dollars (000's)   |                           |                                |                           |                                |                           |
| <b>Agency</b>  | <b>Plan 1<br/>4/15/09</b> | <b>Increase<br/>(Decrease)</b> | <b>Plan 2<br/>7/09/09</b> | <b>Increase<br/>(Decrease)</b> | <b>Plan 3<br/>2/24/10</b> |
| Wage and Hour Division   | \$21,987                  | \$0                            | \$21,987                  | (\$6,868)                      | \$15,119                  |
| Employment and Training Administration   | 10,000                    | 750                            | 10,750                    | 4,218                          | 14,968                    |
| Occupational Safety and Health<br>Administration                                 | 13,571                    | 0                              | 13,571                    | (576)                          | 12,995                    |
| Employee Benefits Security Administration  | 9,705                     | 0                              | 9,705                     | (1,600)                        | 8,105                     |
| Office of Federal Contract Compliance  | 7,200                     | 0                              | 7,200                     | 82                             | 7,282                     |
| Office of the Solicitor  | 6,665                     | (3,035)                        | 3,630                     | (348)                          | 3,282                     |
| Office of the Assistant Secretary for<br>Administration and Management           | 5,451                     |                                | 5,451                     | (2,949)                        | 2,502                     |
| Office of Recovery for Auto Communities and<br>Workers                           | -0-                       | 710                            | 710                       | 0                              | 710                       |
| Office of the Chief Financial Officer  | 700                       | 300                            | 1,000                     | (379)                          | 621                       |
| Office of Labor Management Standards   | 581                       | 0                              | 581                       | (111)                          | 470                       |
| <b>Planned for Obligation by 9/30/10</b>   | <b>75,860</b>             | <b>0</b>                       | <b>74,585</b>             | <b>0</b>                       | <b>66,054</b>             |
| <b>Remaining Balance</b>   | <b>4,140</b>              | <b>1,275</b>                   | <b>5,415</b>              | <b>8,531</b>                   | <b>13,946</b>             |
| <b>Total</b>   | <b>\$80,000</b>           | <b>-0-</b>                     | <b>\$80,000</b>           | <b>-0-</b>                     | <b>\$80,000</b>           |

Source: Department Operating Plans to Congress