

2006 Top Management Challenges Facing the Department of Labor

For FY 2006, the Office of Inspector General (OIG) considers the following areas to be the most serious management and performance challenges facing the Department of Labor. They involve compliance, accountability, and delivery of services and benefits.

- Improving Procurement Integrity
- Safeguarding Unemployment Insurance
- Improving the Federal Employees' Compensation Act (FECA) Program
- Maintaining the Integrity of Foreign Labor Certification Programs
- Improving Financial and Performance Accountability
- Developing and Securing Information Technology Systems and Protecting Related Information Assets
 - Strengthening System Development and Management of High Risk Systems
 - Maintaining Information Technology Security
 - Protecting Information Assets and Securing Sensitive Information
- Ensuring the Security of Employee Benefit Plan Assets
- Ensuring the Safety and Health of Miners
- Ensuring the Effectiveness of the Job Corps Program
- Preparing for Emergencies

Improving Procurement Integrity

In FY 2005, DOL obtained goods and services valued at more than \$1.6 billion from external entities through more than 8,000 acquisition actions. Ensuring controls are in place to properly award, manage, and document procurements is a challenge to the Department. Recent OIG audits have shown that problems arise because the procurement functions are not organizationally independent of program functions. This structure enables program officials, instead of contracting experts, to drive procurement policy and decisions. As a result, procurement decisions may not be in the best operating or financial interests of DOL.

An audit of a DOL agency found that a lack of segregation of the procurement function allowed program staff to exert undue influence over the procurement process. In addition, the agency's procurements exhibited a pattern of disregard for acquisition requirements and did not adhere to the principle of full and open competition. An audit of a sole source contract for encryption software awarded by another agency disclosed that overall responsibility for the information technology and procurement functions were delegated to one executive. Furthermore, a program official from that agency who was involved in the procurement action failed to disclose an apparent conflict of interest. The audit also found: the noncompetitive award was not adequately justified; the contract was significantly modified in scope and cost without proper review and approval; and the agency could not justify its decision not to use the \$3.8 million of products purchased.

The Services Acquisition Reform Act of 2003 (SARA) requires DOL and other executive agencies to appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. However, DOL's current organization does not comply with that requirement. Instead, the Assistant Secretary for Administration and Management serves as the CAO in addition to carrying out the usual responsibilities for that position.

The OIG believes that, until procurement and programmatic responsibilities are properly separated and effective controls are put in place, DOL continues to be at risk for wasteful and abusive procurement practices. To address the vulnerabilities resulting from a lack of separation of procurement duties, we have recommended that a new CAO position should be created within the Office of the Deputy Secretary of Labor with acquisition being the CAO's primary responsibility as required by SARA. Notably, Congress directed the Department to report, by August 30, 2006, on the steps necessary to establish a unified chief procurement officer with responsibilities for all procurement activities in the Department.

Safeguarding Unemployment Insurance

The need for Federal agencies to take action to eliminate overpayments is recognized by the President's Management Agenda (PMA) and the Improper Payments Information Act of 2002. Reducing improper payments in the Federal-State Unemployment Insurance (UI) and Disaster Unemployment Assistance (DUA) programs remains an ongoing challenge for the Department. Improper payments include those made in the wrong amount, to an ineligible recipient, or improperly used by the recipient. According to the Department, UI overpayments by the states were estimated at \$3 billion for calendar year 2005.

Ensuring Payment Integrity During Emergencies

The Department is challenged in having the necessary systems and controls in place and ensuring the same for the states and other key partners to be able to quickly respond, while preventing improper payments during national emergencies or disasters. This includes utilizing all tools available to ensure that benefits only go those who are eligible. The need for effective controls is evidenced by vulnerabilities exposed following hurricanes Katrina and Rita. These disasters put an unprecedented stress on the unemployment benefits systems of Louisiana and Mississippi, and other states stepped in to process unemployment benefit claims for those two states. Due to the need to get benefits to qualified recipients in a timely manner, controls were relaxed to the extent that no one who filed an unemployment claim was initially denied benefits. Consequently, the situation allowed many individuals to take advantage of weak or non-existent controls, which resulted in the exploitation of UI and DUA payouts as well as the proliferation of criminal activity including identity theft and fraud.

Ongoing audit and investigative work indicate that improper payments related to these disasters, particularly under the DUA program, may be extensive. To date, the OIG has identified approximately 1,000 cases of potential fraud. Because of the special risks related to the DUA program, we are continuing our efforts to examine eligibility for the entire DUA claimant population impacted by the hurricanes. In addition, a match against the National Directory of New Hires performed by the State of Louisiana of active unemployment claims identified approximately 22,000 claimants that may have continued to claim unemployment compensation after returning to work.

Overcharges to the Unemployment Trust Fund

Overcharges by the Internal Revenue Service (IRS) to the Unemployment Trust Fund (UTF) for costs incurred to administer the UTF poses a major challenge for the Department. OIG audits have demonstrated that the UTF has been improperly charged for hundreds of millions of dollars over several years. The OIG previously recommended that ETA work with the IRS to adopt a method to allocate costs and seek reimbursement for overcharges. The IRS subsequently reduced the amount of UTF FY 2002 administrative charges.

In FY 2003, the Treasury Inspector General for Tax Administration (TIGTA) reported that the IRS needed to establish an effective process for determining UTF administrative expenses. Based on TIGTA's recommendation, the IRS implemented a new cost methodology in October 2004. Even with this change, the administrative charges for UTF totaled \$72 million for FY 2005, and currently, \$70 million for the first 3 quarters of FY 2006. ETA has expressed concern about the complexity of the IRS's new methodology and the magnitude of the administrative charges. The OIG has requested that TIGTA audit the new methodology's adequacy for charging UTF administrative expenses.

Improving the Federal Employees' Compensation Act (FECA) Program

FECA provides income and medical cost compensation to covered Federal civilian employees injured on the job, employees who have incurred work-related occupational diseases, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The DOL-administered FECA program impacts employees and budgets of all Federal agencies. FECA benefit expenditures totaled \$2.4

billion in 2005. The OIG considers the effective design and operation of the program to be both a Departmental and government-wide challenge.

As effective management of the FECA program is the responsibility of all Federal agencies, the Labor and Commerce OIGs recently hosted a Symposium for the Inspector General (IG) community. With input from the IG community, the DOL OIG developed a more coordinated approach to ensure oversight of the FECA program to reduce fraud and overpayments. That approach was incorporated into a protocol document for audits, inspections, evaluations, and investigations conducted by the IGs across government. The protocol should assist OWCP in more efficiently responding to requests from the various agencies in performing oversight of their respective FECA operations.

The Department is challenged in continuing to provide leadership within the Federal community through the pursuit of legislative reforms to improve the efficiency of the FECA program and the reduction of improper payments through effective systems and oversight.

Needed FECA Legislative Reform

The OIG supports the Department's efforts to seek legislative reforms to the FECA program which would enhance incentives for employees who have recovered to return to work, address retirement equity issues, discourage unsubstantiated or otherwise unnecessary claims, and make other benefit and administrative improvements. Through the enactment of these proposals, the Department estimates savings to the government over ten years to be \$592 million. The legislative reform would assist the Department to focus on improving case management and to ensure only eligible individuals receive benefits.

Ensuring Continued Eligibility for FECA Benefits

In previous years, the OIG reported that the Department needed to obtain and review medical evidence on a periodic basis in order to justify continued eligibility for FECA compensation payments. Because the Office of Workers' Compensation Programs (OWCP) had not established effective controls, there was a high risk of improper payments. In March 2006, DOL completed the roll-out of its new benefit payment system, Integrated Federal Employee Compensation System (iFECS), which tracks the due dates of medical evaluations. Additional components include Central Bill Processing and District Office Accountability Reviews. It provides the Department further capabilities to use data mining to prevent improper payments, boosts claims examiner effectiveness, and improve customer satisfaction. Because iFECS is in its infancy, it needs to be closely monitored and adjusted as necessary.

Maintaining the Integrity of Foreign Labor Certification Programs

Maintaining the integrity of DOL Foreign Labor Certification (FLC) programs, while effectively processing employer requests for foreign labor certifications, remains a challenge for the Department. These programs allow employers to meet their need for labor while preventing both the displacement of U.S. workers and the decrease of U.S. wages and worker protections of citizens and legal residents. Abuse of the FLC programs may cause unlawful admission of foreign nationals and incur economic hardship for American workers.

Foreign Labor Certification Application Backlogs

Last year, the OIG had expressed concerns regarding the high number of backlogged applications that were transferred to the Backlog Elimination Centers located in Philadelphia and Dallas. In August 2005, there were 312,438 applications pending from the predecessor manual system. As of August 2006, the total number backlogged applications have been reduced to approximately 200,000.

In 2006, ETA's processing of permanent labor certifications applications was automated. Since the implementation of the automated system, the Department has received 125,500 applications, which are being processed at the National Processing Centers located in Atlanta and Chicago. In addition to reducing the backlog of applications, DOL is challenged in preventing backlogs at the National Processing Centers while ensuring the integrity of the foreign labor certification process.

Labor Certification Fraud

The OIG addresses violations of the foreign labor certification process, which can be compromised by dishonest attorneys, labor brokers, and employers. In one case, an immigration attorney admitted to submitting over 1,400 fraudulent labor certification applications. He and his co-conspirators charged as much as \$120,000 for a visa application services, amassing more than \$4.5 million in revenues from their scheme. For his involvement, the attorney was sentenced to 44 months imprisonment and ordered to forfeit \$3.2 million. The DOL is challenged in identifying fraudulent labor applications during the certification process and instituting measures to reduce fraud. The current certification process allows substitutions of alien beneficiaries on permanent labor certification applications. Consequently, a program vulnerability has developed where approved certifications, often obtained under fraudulent means, are sold and ultimately used by foreign nationals other than the beneficiaries indicated on the certification. To this end, the Department is challenged in ensuring that a regulation, which restricts the substitution of applicants that have already been approved for foreign labor certification, is both finalized and implemented.

Improving Financial and Performance Accountability

In order to manage DOL programs for results and to completely integrate budget and performance, the Department needs: timely financial data from a managerial cost accounting system that matches cost information with program outcomes; quality performance data; useful information from single audits; and effective controls over real property.

Developing a Managerial Cost Accounting System

To fully realize the benefits of cost accounting, the Department must ensure managers integrate the use of updated cost information into their day-to-day operations and decision making. The Department developed cost models for most of DOL's major agencies and programs in 2004. In FY 2005, the Department focused on expanding and using the cost-model capabilities. Agency program managers began to use cost-model information for high-level and recurring task, including budget formulation and justification, resource allocation, and the determination of "best practices" across similar programs and/or regions. While the Department has made significant progress in implementing managerial cost accounting capabilities, program managers still do not make continual use of the available information to manage their programs. The OIG is reviewing the Department's progress in fully utilizing its managerial cost account system capabilities as part of the audit of the FY 2006 Consolidated Financial Statements.

Ensuring Reliable Performance Data

Both the Government Performance and Results Act (GPRA) and the President's Management Agenda initiative on Budget and Performance Integration call for reliable performance data as a basis for good decision making. The Department faces unique challenges in assuring the reliability of its performance data, because much of the program results data required by DOL to measure attainment of its strategic goals are generated by states and other sources below the Federal level. This presents challenges for ensuring data quality and evaluating program effectiveness. Three recent OIG reviews identified the need for improvement in how DOL measures the completeness and reliability of program results reported under GPRA. Past OIG audit work disclosed high error rates in performance data reported by ETA grantees and raised concerns about the usefulness of that data for decision making. The OIG plans in FY 2007 to audit the new data validation system developed by ETA to improve the reliability of program performance information reported by its grantees.

Reliability of Audits Conducted under the Single Audit Act

The Department uses audits conducted under the Single Audit Act (SAA) conducted by independent public accountants or state auditors to provide oversight of the more than 90% of its expenditures spent by state and local governments and other non-DOL organizations. Previous OIG quality control reviews have revealed serious deficiencies in SAA audits, including inadequate sampling, which would make them unreliable. The OIG is concerned about the adequacy of information that DOL receives from these audits. DOL is challenged by the limited value of these audits in determining how well DOL programs are administered at the non-Federal level.

Developing and Securing Information Technology Systems and Protecting Related Information Assets

Developing effective systems to perform the day-to-day business of DOL has continued to challenge the Department. Judicious planning and project management are critical to the implementation of new systems. The OIG remains concerned about insufficient planning, tight timeframes, inadequate metrics, and a shortage of experienced project managers for DOL information technology (IT) initiatives. Other challenges facing the Department include: developing and effectively using emerging technologies; securing and protecting personally identifiable and other sensitive information from improper access or disclosures; developing and using a standard identification system for employees and contractors; and securing and authenticating electronic documents. For these reasons, we continue to recommend creating an independent Chief Information Officer (CIO) to provide exclusive oversight of IT issues.

Strengthening Systems Development and Management of High Risk Systems

OIG audits have identified that DOL IT system development life-cycle activities need strengthening in the areas of effective planning, project management, and decision-making. Using guidance from OMB (Memorandum M-05-23: Improving Information Technology Project Planning and Execution) the Department identified the following seven high-risk projects: New Core Financial Management System; GovBenefits; EFAST II; Technical Information Retrieval System; E-Grants; Enterprise HR Integration; and E-Travel. Current system development plans should be structured to include timely reviews of initiatives' progress in relation to planned project activities and key milestones. Plans should be strengthened to include budget and cost tracking, project timelines, and resource monitoring. Taking these steps would improve DOL's management of IT systems.

The Department and its agencies must ensure that all major IT projects are managed by qualified project managers in accordance with OMB guidance. In developing these resources, the Department will help to ensure the future success of DOL IT initiatives that can be leveraged throughout DOL, as warranted, given the importance, size and complexity of an initiative. DOL is challenged to maintain a high degree of project management throughout the Department and leverage the Department-wide certified project management resources to minimize the risks involved in systems development efforts.

Maintaining Information Technology Security

Due to new threats and increased automation, IT security is an ongoing challenge for the Department and agencies government-wide. Keeping up with these developments, providing assurances that DOL systems will function reliably, and safeguarding information assets require a sustained effort. The security of DOL IT systems and data is vital, since they produce key economic indicators and accomplish the payment of billions of dollars in benefits and services.

The CIO has called for priority attention to the outstanding reportable conditions identified by the OIG. This demonstrates that, even though the Department received an A+ computer security grade from Congress, the Department recognizes the importance of remaining vigilant and of addressing vulnerabilities in this area. In addition, OIG audits continue to identify high-and-medium risk control weaknesses across the programs' information systems, including unauthorized access to systems and incomplete certification and accreditation of systems. Computer security incidents also highlight the need to provide for more consistent and thorough testing of DOL program and system controls. The Department should also become more proactive in identifying and mitigating IT security weaknesses.

Protecting Information Assets and Securing Sensitive Information

To meet the challenges associated with emerging technologies and new policy requirements, the Department should have acquisition and implementation plans that are consistent with protecting DOL's informational assets and confidential and sensitive information. These new technologies will require changes to existing policies to maintain a high level of operational effectiveness. The Department also is reviewing new technologies to better manage and provide services to the public. DOL is likely to experience further security threats and events as the vulnerabilities of the new technologies are exploited.

On June 23, 2006, the Office of Management and Budget (OMB) issued requirements to protect personally identifiable information. The Department will be challenged to timely implement enterprise-wide standards for software solutions involving encryption, two-factor authentication, and logging of extracts of personally identifiable information. The Department will need to ensure their solutions have been captured in new policy and procedures which deal with implementation and oversight.

Implementing a Public Key Infrastructure (PKI)

The implementation of PKI enables the authentication of electronic documents. DOL has been challenged to implement a public key infrastructure (PKI) system and is currently exploring other avenues to find the best fit for the Department's needs and environment. The Department has procured and tested various methods of implementation and still has not implemented a solution.

Implementing New Smart Card Requirements

Under Homeland Security Presidential Directive Number 12 (HSPD-12), agencies will need to provide identification cards that will be used to validate and monitor federal employees and contractors. The General Services Administration is responsible for reviewing and approving third-party solutions available for agencies to procure. However, HSPD-12 allows agencies to develop or procure non-approved services. DOL will not only be challenged to procure such technology, but will also face challenges managing the implementation, distribution, and maintenance of the Smart Cards.

Ensuring Security of Employee Benefit Plan Assets

A major challenge confronting the Department is protecting the benefits of American workers, which includes pensions and health care. The Employee Benefits Security Administration (EBSA) oversees the administration and enforcement of the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA). Continuing failures in corporate financial management and reporting and economic distress in specific industries have added to the Department's challenges in providing effective oversight for the American worker. Healthcare laws enacted over the last 10 years have increased the regulatory and enforcement workload of the Department. In addition, continuing Congressional focus on health care may create new resource challenges for the Department in protecting employee benefits.

Safeguarding Pension Assets

DOL continues to face a serious challenge to improving the process through which employee benefit plans are audited. OIG audits have shown that DOL does not have sufficient authority to effectively ensure that employee benefit plan audits provide the level of protection called for in professional standards. While EBSA has made major changes in its audit monitoring process and significantly revised the way it approaches major auditing firms, EBSA still lacks the basic enforcement tools to improve plan audits. EBSA cannot take any direct action against audit firms that do not meet their professional responsibilities to American workers to ensure plan assets are adequately protected. EBSA instead must rely on professional organizations or state agencies to take action. Without additional authority to direct action against firms that do substandard audits, EBSA cannot fully meet its responsibilities to the American worker.

Investigating Benefit Plan Fraud

Ensuring the security of employee benefit plans remains a challenge for the Department. Recent OIG labor racketeering investigations and the increased activity of EBSA's criminal enforcement program consistently identify the vulnerability of plan assets. Those pension, health, and welfare benefit plans comprise billions of dollars in fund assets. OIG investigations have demonstrated that the funds remain vulnerable to corrupt individuals, including union officials and trustees, as well as organized crime influence. Benefit plan service providers continue to be strong focus of both the OIG's and EBSA's investigations. In one recent case investigated jointly by EBSA and OIG, the former president of a third-party administration firm that serviced health and welfare benefit plans, was sentenced to 15 years in prison and ordered to pay \$837,000 in restitution to the plan participants whom he had embezzled.

Remedying Underpayments from Cash Balance Pension Plans

The OIG continues to be concerned about DOL's inaction on Cash Balance Plans. A previous OIG audit showed that thousands of American workers were being underpaid millions of dollars in distributions from these plans. The primary problem resulted from differing interpretations of IRS guidance in determining lump sum distributions from Cash Balance plans. While DOL asked IRS for additional guidance, over four years ago, IRS has not responded. As a result, DOL has not taken any action to further investigate the issue of lump sum payments identified in the OIG's audit. We believe that American workers in Cash Balance plans have been, and continue to be, significantly underpaid for the pensions they have earned.

The OIG believes that DOL should no longer allow the lack of response by the IRS to prevent DOL from doing as much as it can to protect the hard-earned pensions of Cash Balance plan participants. While DOL's authority may be limited without an IRS response, we believe DOL should explore every avenue in using its existing authority to address the issues OIG raised regarding Cash Balance Plans.

Congress has now addressed some of the cash balance issues in the recently enacted Pension Protection Act of 2006 which, among other things, modifies how lump sum distributions are calculated and, depending on implementing regulations from IRS, may eliminate or reduce the potential for underpayments to participants. However, the Act's provisions are prospective only from the date of enactment and do not affect distributions made in prior years. Therefore, EBSA still needs to take action.

Addressing Corrupt Multiple Employer Welfare Arrangements (MEWAs)

MEWAs are typically marketed to small businesses as a means of obtaining inexpensive health coverage for their employees. Fraudulent MEWAs, which default on their benefit obligations, are often misrepresented by plan promoters as being maintained under a bona-fide collective bargaining agreement. The OIG continues to recommend EBSA investigate unscrupulous health insurers who are burdening Americans with an increasing number of unpaid medical claims. Therefore, the OIG recommends that the Department continue its efforts to decrease the number of fraudulent MEWAs, in particular by seeking legislative changes to increase its authority to obtain reliable plan information and assess penalties.

Ensuring the Safety and Health of Miners

Effective oversight and policy by the government regarding safety and health issues in the mines is a matter of life and death. In June 2006, following a number of fatalities, Congress passed the most significant mining legislation in almost 30 years. The Mine Improvement and New Emergency Response Act established: new emergency response requirements; increased mine rescue standards; a mandate to develop improved communication technology; higher penalties for safety and health violations; and scholarship programs to train miners and additional MSHA enforcement personnel. In addition, individual coal mining states have enacted or are considering legislation to increase health and safety requirements in the mining industry. Responding to these new directives will place additional challenges on MSHA and its workforce.

Planning to Replace Retiring Mine Inspectors

In 2003, the GAO reported that 44% of MSHA's underground coal mine inspectors would be eligible to retire within the next five years. Further, MSHA has seen an increase in its employee turnover rate in recent years. With a considerable lead time to fully train new inspectors, MSHA faces a significant challenge in reacting quickly to its changing workload demands. The need to allocate resources to address new requirements will be exacerbated by an aging mine inspector workforce.

Ensuring the Effectiveness of the Job Corps Program

Job Corps includes operations at 126 center locations throughout the United States and Puerto Rico. The program utilizes contracts with private companies to operate 98 centers, and interagency agreements with the Department of Interior and Department of Agriculture to operate 28 centers. Job Corps provides occupational skills, academic training, social education, job placement services, and other support services, such as housing, transportation and family support resources to approximately 60,000 students each year.

Challenges facing the Department relative to the Job Corps program include student safety and health, student success, proper reporting, and ensuring proper procurement, updated agreements, and program effectiveness.

Ensuring Student Safety and Health

The safety and health of students in Job Corps' care is paramount to the students' short-term well-being and long-term success. There should be no allowance for any condition that presents a risk to student's physical, emotional, and mental health. Through past and current audits, the OIG has identified several issues that have a direct impact on student safety and health. For example, a recent OIG management letter identified inoperable fire alarms and unhealthful food handling and storage areas at a center operated by another Federal agency. The Department faces challenges to ensure effective regional office monitoring of zero tolerance for drugs and violence policies, student background checks, facilities maintenance, and student accountability which are key elements toward ensuring that students will have a reasonable opportunity for success while involved in center activities.

Ensuring Student Success

The OIG has identified challenges facing the Department on how students are being served by the program. The conditions identified through OIG audits relate to how contractors and other Federal agencies administering program requirements and to National office policy determinations. DOL should hold regional offices accountable for utilizing effective monitoring techniques in their oversight of services provided by Job Corps contractors. The regional offices should ensure educational and vocational services provided by center operators comply with policies, requirements, and contracts or interagency agreements. Additionally, the risk that outreach, admissions, and placement service providers are not complying with policies, requirements, and contract provisions should be considered a priority in regional office monitoring. Based on a recently completed audit, the OIG also believes the Department must identify and address cognitive disabilities of current and future students in order to improve their outcomes and long-term success.

Monitoring and Verifying Performance

Job Corps operates its centers through performance-based contracts, which tie incentive fees, bonuses, and option year awards directly to contractor performance. As a result, there is a risk that contractors will inflate their performance reports to receive unwarranted incentive payments. The OIG has recently reported that two centers manipulated their reported performance. The challenges to the Department are to ensure that regional office monitoring is effective in identifying manipulations of student absences and to be aggressive in pursuing remedies against contractors found to be engaging in the practice. The Department should be concerned with the financial reporting by contractors and the Federal agencies that operate centers under interagency agreements. Through our audits, the OIG has found instances of inadequate financial management systems, inadequate documentation for charges to center budgets, unauthorized costs charged to center budgets, and inadequate personal property management. These conditions represent challenges to the Department to ensure limited Job Corps resources are properly used to support services for youth.

Ensuring Proper Procurement, Updated Agreements, and Program Effectiveness

The OIG has classified Job Corps procurement, interagency agreements, and performance measures as additional challenges to the Department. Only through effective procurement practices can the Department ensure the appropriate companies are used to provide youth the opportunities for success that is envisioned for the program. Monitoring of the procurement process at the national level is essential to ensuring qualified companies are willing to participate and the best service and value to the government is achieved. An issue that should be a continuing concern is DOL's need to update interagency agreements with the Departments of Interior and Agriculture. The interagency agreements should be updated to clearly define each agency's responsibility for ensuring proper utilization of Job Corps funding and effective service to those young people served through Civilian Conservation Centers. Further, more direct monitoring of the actions and results of the agencies' Job Corps activities is also needed. A concern among contractors and the Federally-operated center personnel is the performance measures system that is used to rate center effectiveness. The development of specific rates to measure a successful operation and the emphasis on those rates is being seen as more important than the quality of performance.

Preparing for Emergencies

The tragedies of 9/11 and the 2005 hurricanes vividly demonstrated the need for the Department and other Federal, state, and local agencies to extensively plan and put in place procedures to address national and local emergencies. As previously discussed under *Safeguarding Unemployment Insurance*, the Department can leverage the lessons learned from Hurricane Katrina in working with the states to ensure systems and controls are in place. This would allow the continued and effective operation of DOL programs and the payment of benefits to eligible individuals despite disasters and disruptions.

Over the past five years, the Department has made employee safety and emergency preparedness a top priority. The OIG recognizes the efforts made by the Department, and considers emergency preparedness to be a top management challenge both to the Department and other government agencies. The Department has developed a host of measures and plans to deal with a variety of contingencies. These include shelter-in-place strategies, improved evacuation procedures, and full-scale continuity of operations plans (COOP). In addition, the Department recently added employee emergency contact and communications and a Pandemic Influenza Preparation and Response Plan to its COOP plans. The OIG considers the actions taken to be proactive and encourages the Department to continue to develop its preparedness for all types of contingencies.

Changes from Last Year

In identifying the most critical Top Management Challenges faced by the Department each year, the OIG recognizes that matters meriting the continued attention of DOL may be omitted from the list. Changes to the Top Management Challenges from FY 2005 include a revised management challenge previously entitled *Improving Systems Planning and Development* and renamed *Developing and Securing Information Technology Systems Security and Protecting Related Information Assets*. In addition, we added the following as new challenges: *Improving the Federal Employees' Compensation Act (FECA) Program*; *Ensuring the Safety and Health of Miners*; *Maintaining the Effective Use of Job Corps Resources*; and *Preparing for Emergencies*.

Management Controls

Management Controls were previously discussed under our FY 2005 management challenge entitled *Improving Financial and Performance Accountability*. In FY 2005, OMB Circular A-123 was amended to provide updated internal control standards applicable to all Federal agencies. The amendment also included new specific requirements for conducting agency management's assessment of the effectiveness of internal controls over financial reporting. OMB has approved the Department's plan to assess the effectiveness of its internal controls. The Department has also hired a nationally recognized consulting firm to assist in this effort. Starting in FY 2006, DOL is required to report the results of this assessment in the Performance and Accountability Report. DOL and its agencies must remain diligent in their efforts to complete these assessments in time to be included in the Report. Given the above actions, we removed "Management Controls" as a discussion item within our management challenges.

Improving Management of Real Property Assets

Improving Management of Real Property Assets was previously discussed as a 2005 Major Management Challenge. Because ETA has begun to review its existing processes and restructure them to strengthen the property management system, we removed "Improving Management of Real Property Assets" as a discussion item within our management challenges, and we will revisit the issue once we audit the impact of ETA's efforts on this matter.

Pursuing Reauthorization of the Workforce Investment Act

Pursuing Reauthorization of the Workforce Investment Act was previously discussed as a 2005 Major Management Challenge. Because the reauthorization of WIA has been pending since the law sunsetted in 2003, we removed "Pursuing Reauthorization of the Workforce Investment Act" as a discussion item within our management challenges, and we will revisit the issue when reauthorization legislation is passed.