

# U.S. Department of Labor

Office of Inspector General—Office of Audit



## OFFICE OF AUDIT WORKPLAN

FISCAL YEAR 2012

## ***FOREWORD***

The Department of Labor (DOL), Office of Inspector General (OIG), Office of Audit (OA), is pleased to present its *Office of Audit Workplan for Fiscal Year (FY) 2012*. The workplan is the product of OA's continual planning process designed to identify and prioritize projects in areas of highest risk and/or with the highest potential for supporting the Department's mission and goals.

Please note that some of the discretionary projects presented in this workplan may need to be deferred to respond to Congressional or Administration requests, emerging issues, or incidents.

For FY 2012, we continue to audit programs funded by American Recovery and Reinvestment Act. Ongoing and planned audits are found in Chapter 3. Management challenges identified by the OIG in the FY 2011 Agency Financial Report are addressed through both mandatory and discretionary audit work.

OA senior operational staff is assigned on a programmatic rather than a geographic basis. The FY 2012 Workplan identifies the Office Director assigned to each audit. See page 27 for a list of Office Directors, their programmatic assignments, and their contact information.

Suggestions of issues to which the OA might give attention in future activities are welcome. Please contact Elliot P. Lewis, Assistant Inspector General for Audit, at (202) 693-5170, or via email at [lewis.elliott@oig.dol.gov](mailto:lewis.elliott@oig.dol.gov).

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<b>TABLE OF CONTENTS</b>
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	<u>Page</u>
<b>INTRODUCTION .....</b>	<b>1</b>
 <b>CHAPTER I</b>	
<b>Mandatory Audits .....</b>	<b>4</b>
<i>Goal: Optimize the Use of Funds Appropriated for .....</i>	<i>4</i>
<i>Training and Employment Programs</i>	
<i>Goal: Safeguard Workers' and Retirees' Benefit Programs .....</i>	<i>6</i>
<i>Goal: Assist DOL in Maintaining an Effective Management Process .....</i>	<i>8</i>
 <b>CHAPTER II</b>	
<b>Discretionary Audits.....</b>	<b>10</b>
<i>Goal: Optimize the Use of Funds Appropriated for .....</i>	<i>10</i>
<i>Training and Employment Programs</i>	
<i>Goal: Safeguard Workers' and Retirees' Benefit Programs .....</i>	<i>12</i>
<i>Goal: Optimize the Use of Funds Appropriated for Worker .....</i>	<i>15</i>
<i>Protection and Workplace Safety Programs</i>	
<i>Goal: Assist DOL in Maintaining an Effective Management Process .....</i>	<i>21</i>
 <b>CHAPTER III</b>	
<b>American Recovery and Reinvestment Act of 2009 Audits .....</b>	<b>22</b>
<i>Goal: Optimize the Use of Funds Appropriated for .....</i>	<i>22</i>
<i>Training and Employment Programs</i>	
<i>Goal: Safeguard Workers' and Retirees' Benefit Programs .....</i>	<i>25</i>
<i>Goal: Optimize the Use of Funds Appropriated for Worker .....</i>	<i>26</i>
<i>Protection and Workplace Safety Programs</i>	
 <b>APPENDIX</b>	
<i>Office Directors .....</i>	<i>27</i>

## **INTRODUCTION**

### PURPOSE

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

### MANDATORY AUDITS

Mandatory audits are those the OIG is required to conduct by law or regulation. Mandatory audits are conducted as required by Federal statute, regulation, or other authority. Our largest mandatory project is the yearly audit of the Department's annual financial statements as required by the *Chief Financial Officers Act*. The *Federal Information Security Management Act (FISMA) of 2002* requires the Inspector General to evaluate the DOL's mission-critical information systems. We also have a statutory mandate to perform triennial audits of Job Corps center operators and service providers.

### DISCRETIONARY AUDITS

Once all mandatory audits are funded, remaining resources are used to fund financial and performance audits in accordance with our mission under the OIG's authorizing legislation, the *Inspector General Act of 1978*, as amended. Discretionary audits are identified through a planning process designed to identify and prioritize projects in areas of highest risk and/or with the highest potential for supporting the Department's mission and strategic goals. Risk analysis is a continuous activity involving all OA staff who, throughout the year, identify, document, assess, and report to OA's planning unit the likelihood and impact of risks related to DOL programs and operations. Each year, the Assistant Inspector General for Audit (AIGA) meets with several Agency heads to review the OA's risk analysis and ask for their ideas and priorities for audit oversight projects.

Additionally, we reserve a portion of discretionary resources to perform audits that result from special requests. Such special requests may come from the Secretary of Labor, members of Congress, or other sources. We also reserve resources to respond to allegations of fraud, waste, and abuse that the OIG receives from sources such as state and Federal program managers and private citizens. Requests from Congress and the Department are given special consideration when we prioritize how to apply our resources.

This Workplan does not identify all grant and contract work or complaint response work that the OA will initiate during the fiscal year. Instead, we have included a generic write-up for these ongoing efforts. The write-up for the grant and contract audits is found in the Discretionary Project section of this Workplan under the OIG strategic goal related to training and employment programs. The complaint response write-up is also in the Discretionary Project section of the Workplan under the OIG strategic goal related to assisting DOL in maintaining an effective management process.

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AMERICAN RECOVERY and REINVESTMENT ACT OF 2009 (RECOVERY ACT)

The ARRA provided more than \$70 billion to the DOL in four areas:

- Unemployment benefits - \$57 billion
- Employment and Training - \$4.5 billion
- Job Corps construction and rehabilitation - \$250 million
- Departmental oversight - \$80 million

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

WORKPLAN ORGANIZATION and OIG STRATEGIC GOALS

The Audit Workplan is organized by mandatory audits (Chapter 1), discretionary audits (Chapter 2), and audits related to OIG's oversight of DOL programs receiving funding under the Recovery Act (Chapter 3). All three chapters are in sections that group audit projects by the OIG strategic goals to which they relate.

The OIG Strategic Goals covered by this Workplan are:

***OPTIMIZE THE USE OF FUNDS APPROPRIATED FOR TRAINING AND EMPLOYMENT PROGRAMS*** – encompasses the *Workforce Investment Act*, Job Corps, the Employment Service, labor statistics, Veterans' Employment and Training Services, and Community Service Employment for Older Americans.

***SAFEGUARD WORKERS' AND RETIREES' BENEFIT PROGRAMS*** – involves Unemployment Insurance, Federal Workers' Compensation, Trade Readjustment Allowances, and pension and welfare benefits programs.

***OPTIMIZE THE USE OF FUNDS APPROPRIATED FOR WORKER PROTECTION AND WORKPLACE SAFETY PROGRAMS*** – includes the enforcement of laws, regulations and Executive Orders related to occupational and mine safety and health, wages and hours, foreign labor certification, labor union reporting and disclosure, and affirmative action by Federal contractors and subcontractors.

***ASSIST DOL IN MAINTAINING AN EFFECTIVE MANAGEMENT PROCESS*** – includes management and support functions such as financial management, procurement, information technology, performance measures, administration, legal affairs, and policy.

The fifth goal, *Combat the Influence of Organized Crime and Labor Racketeering in the Workplace*, is primarily covered by the OIG's Office of Labor Racketeering and Fraud Investigations.

## AUDITS

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

## AUDIT SUMMARIES

The Workplan describes future planned work as well as ongoing projects. For mandatory audits, project summaries include a description of the audit and the responsible Office Director. Discretionary project summaries describe the program, audit objectives, and the responsible Office Director. The summary also indicates whether the audit is ongoing.

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

Job Corps is primarily a residential educational and occupational training program where young adults ages 16–24, who meet income requirements and are U.S. citizens or legal residents, can learn a career, earn a high school diploma or General Educational Development certification, and get help finding a job. Job Corps is administered by the DOL and operates 125 centers across the country.

The *Workforce Investment Act (WIA) of 1998*, P.L. 105-220, Section 159 (b)(2) requires reviews, evaluations, or audits of Job Corps center operators and service providers every three years. Through financial, performance, and health and safety audits of Job Corps center operators, selected centers, and service providers rotated over a three-year period, we comply with this requirement. A brief summary of ongoing audits and those planned to start in FY 2012 follows.

***Job Corps Center Contracting***

Director: Armada            Ongoing

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

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

***Job Corps Center Academic and Career Training Goals***

Director: Armada            Ongoing

Background: Job Corps performance is measured by the attainment of academic and career training and job placement goals. For example, participant completion of Career Technical Training (CTT) is a critical measure. For program year 2010, the national CTT goal was completion of training by 55 percent of students enrolled in CTT. The audit will assess the extent to which Job Corps' oversight of center operators ensures positive program outcomes.

Objective/Key Question: Did Job Corps ensure Job Corps centers managed academic and career technical training programs to meet performance goals and maximize student achievements?

***Job Corps – Indirect Cost Rate Determinations***

Director: Armada

Background: During a prior OIG audit of a Job Corps contractor, OIG identified problems with the procedures for indirect cost rate determinations. Auditors determined that the Office of the Assistant Secretary for Administration and Management (OASAM) and Job Corps processes did not effectively ensure indirect cost proposals were submitted annually and in accordance with the FAR. As a result, we recommended the Contracting Officer recover \$1.8 million from the contractor. OASAM acknowledged that other contractors are likely to have similar problems to those found at the audited contractor. This audit will be conducted for multiple Job Corps' contractors, including all Outreach and Admissions, and Career Training Services (CTS) contractors.

Objectives/Key Questions: Did Job Corps/OASAM ensure Indirect Cost Proposals were submitted annually, as required by the FAR? Did OASAM audit indirect cost proposals and ensure that claimed costs were reasonable and allowable, in accordance with the FAR?

***Job Corps – National Contracts***

Director: Armada

Background: The OIG has not reviewed Job Corps' procurement process in recent years, and the National Job Corps Director identified it as an area of concern. Job Corps' FY 2010 budget for national contracts totaled \$95 million. The audit will include Job Corps national training and program development/evaluation contracts processed by OASAM.

Objectives/Key Questions: Did Job Corps ensure contracts for nationwide services were awarded in accordance with the FAR and Job Corps requirements? Did Job Corps ensure costs claimed by national contractors were reasonable and allowable in accordance with the FAR and Job Corps requirements?

***Job Corps – Deferred Maintenance Audit***

Director: Armada

Background: The DOL's FY 2011 budget request for Job Corps Operations was slightly more than \$1.57 billion. Included in this was \$105 million for improving facility conditions at the Job Corps centers (there are currently 125 centers). Job Corps' emphasis is focused on reducing the backlog of repairs on existing buildings and disposal of surplus, non-mission dependent properties. Failure to address deferred maintenance at the nation's Job Corps centers could pose risks to the safety and security of Job Corps students, staff, and others on-site.



Objectives/Key Questions: Does Job Corps' management of deferred maintenance ensure its centers are safe and secure? Does Job Corps ensure that funds allocated to deferred maintenance are spent effectively and efficiently?

**GOAL: SAFEGUARD WORKERS' AND RETIREES' BENEFIT PROGRAMS**

***Federal Employees' Compensation Act (FECA) Special Benefit Fund***

Director: Donovan

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

For FY 2012, an Independent Public Accountant (IPA), under contract to the OIG, will conduct the audit. The OIG will issue two reports to assist Federal agencies in the audit of their annual financial statements pursuant to the *Chief Financial Officers Act (CFO Act)*. The first is a service provider report on the policies and procedures and tests of the operational effectiveness of OWCP. The second report includes (1) an audit opinion on the total actuarial liability, and the net intra-governmental accounts receivable and the total benefit expense made by the Fund on behalf of the employing agencies for the year then ended; and (2) an agreed-upon procedures report on the schedule of actuarial liability, net intra-governmental accounts receivable, and benefit expense by agency to be issued no later than October 31, 2012. OA staff will monitor this work.

Objectives/Key Questions: Are the internal controls applicable for the processing of transactions for users of the FECA Special Benefit Fund described, suitably designed, and operating effectively as of March 31, 2012? Are the schedules of total actuarial liability, net intra-governmental accounts receivable, and benefit expense fairly stated for the year ending September 30, 2012?

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

Director: Donovan

Background: The LHWCA provides medical benefits, compensation for lost wages, and rehabilitation services to covered workers in maritime and other industries, who are injured during the course of employment or contract an occupational disease related to employment. The LHWCA requires the OIG to annually audit the financial statements of the DOL LHWCA Special Fund and the DCWA Special Fund. An IPA, under contract to the OIG, will complete an audit of the two funds' financial statements for FY 2011 and begin the audit of the financial statements for FY 2012. OA staff will monitor this work.

Objective/Key Question: Did DOL's LHWCA Special Fund and the DCWA Special Fund financial statements present fairly, in all material respects, the financial position of the Funds as of September 30, 2012 and 2011?

***Review of Agency Reports on Improper Payments for High Priority Programs***

Director: Donovan

Executive Order (EO) 13520, Reducing Improper Payments and Eliminating Waste in Federal Programs, requires DOL provide a report on improper payments for high priority programs to the OIG annually. To date, the only DOL program the Office of Management and Budget (OMB) has designated as high priority is the Unemployment Insurance (UI) program. For the UI program, the Employment and Training Administration's (ETA) report to the OIG must include a plan for meeting reduction targets for UI improper payments, and a methodology for identifying and measuring such payments. The EO requires that the OIG review the report and provide ETA with recommendation(s) for modifying its improper payment reduction plan and methodology. Additionally, ETA must report quarterly to the OIG on UI program high-dollar overpayments.

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

***Review of DOL's Improper Payment Reporting in the Annual Financial Report (AFR)***

Director: Donovan

On July 22, 2010, the President signed the Improper Payments and Elimination and Recovery Act (IPERA) of 2010. IPERA amended the Improper Payments Information Act (IPIA) of 2002. IPERA requires the heads of Federal agencies review and identify agency programs and activities that may be susceptible to significant improper payments. Agencies must perform their first review in 2011, the year after the IPERA was signed; and conduct at least one review every three fiscal years. Agencies must include a report of their review in their Performance Annual Reports (PAR) or Annual Financial Reports (AFR). Starting with FY 2011, the IPIA requires the IGs to review agency improper payment reporting in the PAR or AFR to determine if the agency is in compliance with the IPIA.

Objective/Key Question: Did DOL comply with IPIA requirements including the following: 1) conducted a program specific risk assessment for each required program or activity; 2) published and met annual reduction targets for each program assessed to be at risk for improper payments; and 3) reported information on its efforts to recapture improper payments?

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**GOAL: ASSIST DOL IN MAINTAINING AN EFFECTIVE MANAGEMENT PROCESS**

***DOL Consolidated Financial Statements Audit***

Director: Donovan

Background: As required by the *Chief Financial Officers Act of 1990*, P.L. 101-576, the objective of this yearly audit is to render an opinion on the DOL consolidated financial statements in accordance with generally accepted auditing standards, *Government Auditing Standards*, and OMB guidance. An IPA, under contract to the OIG, will perform and complete all work necessary to audit and report on the FY 2011 DOL consolidated financial statements including a general application and security controls review of selected DOL financial systems; and begin, under the same standards, the audit of the FY 2012 DOL consolidated financial statements. OA staff will monitor this work.

Objective/Key Question: Did DOL's consolidated financial statements present fairly, in all material respects, the financial position of DOL as of September 30, 2012 and 2011?

***Single Audit Compliance—Quality Control Reviews of Single Audit Reports***

Director: Reid                      Ongoing

Background: As required by the *Single Audit Act Amendments of 1996* and *OMB Circular A-133*, the OIG conducts Quality Control Reviews (QCRs) of selected single audit working papers and reports. The objectives of the Quality Control Reviews are to (1) determine that the audit was conducted according to applicable standards and met the single audit requirements, (2) identify the need for any follow-up audit work, and (3) report issues that may require management's attention.

Objective/Key Question: Did the independent auditor conduct the audit in compliance with Single Audit requirements?

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

Director: Reid                      Ongoing

Background: The OIG conducts desk reviews of all single audit reports issued to DOL grantees that are referred to us for review by the Federal Audit Clearinghouse. Single audit desk reviews are ongoing throughout the fiscal year.

Objectives/Key Questions: Are the independent auditor's report, Schedule of Findings and Questioned Costs, Schedule of Expenditures of Federal Awards, and corrective action plan acceptable? Are there issues in the report that require follow-up audit work? Should a quality control review be conducted? Are there issues in the report that should be brought to the attention of the appropriate DOL funding agency or agencies?

***Federal Information System Management Act (FISMA) Audits***

Director: Fowler (Acting) Ongoing

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

FISMA, along with the *Paperwork Reduction Act of 1995* and the *Information Technology Management Reform Act of 1996* (Clinger-Cohen Act), explicitly emphasizes a risk-based policy for cost-effective security. Using annual FISMA reporting guidance, agency heads, in coordination with their Chief Information Officers (CIOs), report the security status of their information systems to OMB. CIOs are required to manage a complete security and privacy program to protect the availability of agency computer systems, the integrity of business operations, and the confidentiality of sensitive information.

Objectives/Key Questions: Are DOL's information security program, policies, and practices for major financial and non-financial information systems effective and do these systems implement required minimum security controls? Do the oversight and monitoring, including continuous monitoring activities, of DOL's Office of the Chief Financial Officer ensure the security and privacy of information contained in agency computer systems?

***Independent Verification and Validation of Agency Remediation***

Director: Fowler (Acting) Ongoing

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

Objectives/Key Questions: Did DOL management take appropriate and timely action to remediate identified security weaknesses? Did DOL management use the POA&M reporting and tracking tool to schedule remediation actions and track their related progress?

## **CHAPTER 2**

### **DISCRETIONARY AUDITS**

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

##### ***WIA and Wagner-Peyser Participant Co-enrollment***

Director: Hill                      Ongoing

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

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

##### ***Direct and Indirect Labor Costs Charged to ETA Programs***

Director: Hill                      Ongoing

Background: Federal cost principles, as outlined by the OMB in *Circular A-87, Cost Principles for State, Local and Indian Tribal Governments*, allow state workforce agencies (SWA) to bill Federal grants on the basis of estimated costs. However, at the end of the year, SWAs must adjust the charges to reflect actual costs.

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

##### ***Bureau of Labor Statistics Technical Assistance and Training***

Director: Katz                      Ongoing

Background: Federal, state, and private sector employees collect data for a variety of Bureau of Labor Statistics (BLS) surveys. BLS conducts a multi-faceted training program for these workers. Each unit within the National Office of Field Operations contains a training group with responsibility for the development and maintenance of an effective training program for its

surveys. Proper technical direction and training is required to ensure that BLS interviewers collect quality information for the agency to produce many of its major economic indicators.

Objective/Key Question: To what extent and using what methods does the Office of Field Operations ensure that survey data collectors are trained to accurately collect data for use in BLS's major economic indicators?

***Performance Audit of Veterans Employment and Training Services (VETS) Jobs for Veterans State Grant Program (JVSG)***

Director: Peña                      Ongoing

Background: In September 2011, the BLS reported that the unemployment rate for veterans that served in Iraq and Afghanistan wars was 11.7 percent – higher than the national unemployment rate of 9.1. To help veterans return to civilian employment, the DOL's Veterans Employment and Training Services (VETS) operates the Jobs for Veterans State Grant Program (JVSG). JVSG supports two principal positions at State Workforce Agencies — Disabled Veteran Outreach Program (DVOP) specialists and Local Veteran Employment Representatives (LVER). The DVOP provides employment and training services to meet the needs of disabled veterans; economically or educationally disadvantaged veterans; and veterans with other barriers to employment, especially homeless veterans. LVER staff provides and facilitates a range of employment, training, and placement services to meet the needs of veterans. These services include conducting job search workshops, as well as providing job development, vocational guidance, referrals to training, and supportive services. In FY 2011, VETS received \$165.3 million in its budget for the JVSG program.

A prior OIG audit of the operation of the JVSG program in one state found that a low number of veterans received case management services and that nearly \$3 million in DVOP funding could have been put to better use. Some members of Congress have introduced bills to modernize the VETS program and shown interest in improving the employment prospects for returning service members. OA plans to audit the effectiveness of the JVSG program in multiple states.

Objectives/Key Questions: Does the Jobs for Veterans State Grant Program (JVSG) provide services to meet veterans' employment and training needs?

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

Director: Schwartz

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

Objectives/Key Questions: Were grants closed in accordance with Federal and agency guidelines? Was information regarding grantee performance and management analyzed, and the results used in the pre-award phase to inform future grant design and investments?

***Audits of Discretionary Grants and Contracts Awarded by the Employment and Training Administration***

Director: Schwartz

Background: The OA plans to conduct financial and performance audits of selected discretionary grants and contracts awarded by the ETA to ensure funds are appropriately spent and that desired results are obtained. Prior OA audits have found unallowable charges and performance problems. Grants audited may include, but are not limited to, National Emergency Grants, ex-offender reintegration grants, and other ETA awards targeting high growth.

Objectives/Key Question: Was the grant or contract awarded properly? Did grantees meet performance goals? Did grantees spend funds in accordance with Federal regulations and grant requirements?

**GOAL: SAFEGUARD WORKERS' AND RETIREES' BENEFIT PROGRAMS**

***Audit of State UI Administrative Funds***

Director: Grice                      Ongoing

Background: Each year, the DOL awards grants to the SWAs to pay the administrative costs for the Federal and state unemployment insurance programs. DOL's Labor's Division of Cost Determination negotiates state indirect cost agreements to cover these costs and periodically reviews costs charged to DOL by its grantees under those agreements. Prior OIG audits of state indirect costs found states that improperly charged millions of dollars of state program costs to their DOL grant awards indirect cost pool. In addition, ETA granted states "bottom line authority" in 1986 that gave states greater flexibility to move UI resources between various UI cost categories. According to the Government Accountability Office (GAO), this authority resulted in limited Federal oversight of states' UI programs.

Objective/Key Question: Does ETA have adequate controls and processes in place to ensure UI Administrative costs meet OMB Circular A-87 requirements which require that costs be allowable, reasonable and allocable?

***State Workforce Agency (SWA) Unemployment Insurance Overpayment Detection***

Director: Grice                      Ongoing

Background: Both Executive Order 13520, signed by President Obama on November 20, 2009, and the Improper Payment Elimination and Recovery Act of 2010 (IPERA) set policies for Federal programs to identify and prevent improper payments. IPERA requires Federal agencies

to report on actions planned or actions taken to reduce overpayments to a level below which further expenditures to reduce overpayments would cost more than the amount recovered from such expenditures.

Due to adverse labor market conditions, unemployment insurance benefits increased from \$42 billion in FY 2008 to \$156 billion in FY 2010. As a result, ETA's estimate of unemployment insurance overpayments increased — from \$3.9 billion in FY 2008 to \$16.5 billion in FY 2010. The ETA monitors SWA benefit payment control programs which are designed to detect overpayments. Beginning in FY 2009, those SWAs that do not report at least a 50 percent overpayment detection rate must prepare a corrective action plan, which ETA monitors through the State Quality Service Plan process.

Objective/Key Question: Does ETA have effective controls to ensure the detection of overpayments by states for Unemployment Insurance Federal and state programs?

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

Director: Hill                      Ongoing

Background: OIG has investigated fraud by FECA claimants' and uncovered thousands of dollars of false mileage in travel reimbursement claims. OIG found instances of claimants who submitted travel vouchers for medical visits that never occurred, as well as overstated travel mileage for medical visits.

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

***EBSA Oversight of Employee Benefit Plan Audits***

Director: McClane              Ongoing

Background: *The Employee Retirement Income Security Act (ERISA)* requires that most large employee benefit plans obtain an annual audit of their financial statements by an independent public accountant. There are more than 6 million plans, involving 150 million workers and \$6.5trillion in assets. EBSA is responsible for ensuring that these audits meet ERISA audit requirements, including professional audit standards. Prior reviews by OIG, GAO, and EBSA found that a significant number of plan audits did not meet ERISA requirements and that some substandard audits identified by EBSA were not corrected. EBSA's Office of the Chief Accountant (OCA) has responsibility to ensure the quality of employee benefit plan audits. In recent years, the OCA has changed its approach to audit quality oversight with the goal of improving overall audit quality.

Objective/Key Question: What impact has EBSA's revised approach to audit quality oversight had on the audit quality of employee benefit plans?



***Joint Federal Employees Compensation Act (FECA) Audit with Veterans Affairs (VA) OIG***

Director: Hill

Background: The DOL's, Office of Workers' Compensation Programs (OWCP), administers the Federal Employees' Compensation Act (FECA). The FECA program provides benefits (payment of medical expenses, compensation for lost wages) to Federal civilian workers and certain eligible survivors for conditions due to injuries or occupational diseases sustained in the performance of duty. For the year ending June 30, 2010, the FECA program provided almost \$2.8 billion in compensation to nearly 250,000 workers and survivors for work-related injuries or illnesses.

To reduce overpayments, Federal agencies may work with OWCP to identify and mitigate program fraud, strengthen internal controls, support joint case management, and remove claimants from the rolls when they are medically able to return to work. OIG will conduct a joint audit with the VA's, OIG to evaluate the administration of the FECA program. For FY 2011, the VA was the third-highest Federal agency for FECA expenses.

Objective/Key Question: How well do the Department of Veterans Affairs and the DOL's OWCP work together to control program costs?

***EBSA Oversight of Investments***

Director: McClane

Background: EBSA is responsible for ensuring that pension plan fiduciaries meet their responsibilities in selecting and managing employee benefit plan investments. Fiduciaries must make these investments prudently and for the exclusive benefit of plan participants. In recent years, pension plans have increasingly moved into alternative investments such as hedge funds and private equity. While this move may diversify investments, it also dramatically increases the difficulty of fully understanding investments and meeting the requirement for prudent and exclusive benefit investment decisions. In addition, pension plan administrators and investment managers have used the strength of their investment funds to support social goals such as advancing energy conservation. Currently, it is estimated that more than \$300 billion is invested by pension plans in alternative investments. Unless fiduciaries closely adhere to prudence and exclusive benefit requirements, these investments may pose greater risks for loss to plan participants.

Objective/Key Question: Has EBSA provided adequate guidance and oversight of employee benefit plan investments?

***EBSA Form 5500 Reporting***

Director: McClane

Background: *The Employee Retirement Income Security Act (ERISA)* establishes oversight responsibilities of employee benefit plans to EBSA, Internal Revenue Service (IRS), and Pension

Benefit Guarantee Corporation (PBGC). ERISA also establishes an annual reporting requirement for employee benefit plans both to provide information to the oversight agencies and to provide disclosure to plan participants. As a result, EBSA, IRS, and PBGC jointly developed the Form 5500 as an annual report for employee benefit plans. Approximately 800,000 employee benefit plans file a Form 5500. EBSA makes information from the Form 5500 available to the public. EBSA also uses this information for research and policy studies and enforcement targeting and investigations.

Prior reviews by OIG and GAO have shown potential for the Form 5500 data to be more useful to EBSA and plan participants to identify potential problems and improve disclosures to participants.

Objectives/Key Questions: Is the information currently reported by employee benefit plans on the Form 5500 annual report useful to EBSA and plan participants? How are EBSA and plan participants using the information? Is there additional or different information not being reported that would benefit EBSA and plan participants?

### ***EBSA Patient Protection and Affordable Care Act Implementation***

Director: McClane

Background: The new health care reform legislation, The *Patient Protection and Affordable Care Act (PPACA)* as amended by the *Health Care and Education Reconciliation Act*, makes many changes to employee health benefit plans. The changes go into effect at varying times starting January 1, 2011 (for calendar year plans). All changes will be effective no later than the first plan year beginning on or after January 1, 2014. During this period, EBSA is required to continually incorporate PPACA requirements into the health plan system until PPACA is fully implemented. Until that time, EBSA is required to produce studies, issue regulations and otherwise ensure PPACA requirements are implemented by employer-sponsored health plans.

In FY 2011, OIG issued a report which noted that while EBSA had made significant efforts in implementing PPACA, additional actions could more fully ensure PPACA implementation. This audit will concentrate on EBSA corrective actions and additional actions necessary to continue implementing PPACA.

Objective/Key Question: Is EBSA continuing to effectively implement PPACA?

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

#### ***Office of Labor Management Standards (OLMS) Compliance Audit Program (CAP)***

Director: McClane      Ongoing

Background: The Office of Labor Management Standards (OLMS) is responsible for enforcing certain provisions of the *Labor-Management Reporting and Disclosure Act of 1959 (LMRDA)*.

OLMS conducts compliance audits of all unions covered by LMRDA, and of Federal sector unions under the standards of conduct provisions of the *Civil Service Reform Act (CSRA)*. These audits are intended to monitor LMRDA and CSRA compliance and uncover embezzlements and other criminal and civil violations of the law.

Objectives/Key Questions: Has OLMS evaluated the effectiveness of the CAP and its impact on safeguarding union fund assets? Does the OLMS CAP use a supportable strategy for targeting unions for audit? Does the CAP ensure correction of LMRDA and CSRA violations found?

### ***Mine Safety and Health Administration's (MSHA) Oversight of Miner Training***

Director: Swedberg (Acting) Ongoing

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

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

### ***Outcomes of MSHA's Actions to Improve Its Accountability Program***

Director: Swedberg (Acting) Ongoing

Background: MSHA's Accountability Program is intended to provide reasonable assurance that MSHA's Coal Mine Safety and Health (CMS&H) district and field offices consistently follow the agency's policies, procedures, handbooks, and guidance, and that critical enforcement activities are accomplished. It also ensures corrective actions are implemented.

An OIG audit (Audit Report No. 05-07-002-06-001) previously found that MSHA's Accountability Program, as designed, did not provide adequate assurance that CMS&H's oversight responsibilities were effectively and consistently performed. In addition, implementation of the Program varied across CMS&H nationwide. Finally, CMS&H did not effectively use the results of its accountability reviews to improve its operations timely and consistently. We recommended MSHA ensure the selection of enforcement activities for review relies primarily on measures of internal performance; ensure during reviews the selection of which enforcement activities to review cannot be influenced to prevent negative results; include mine visits during district peer reviews; ensure the independence of district peer review teams; ensure a consistent type or depth of analyses during district peer reviews; use a standard format for district peer review reports; ensure the timely development, implementation, and monitoring of corrective actions; and ensure that identified common deficiencies, corrective actions, and best practices are communicated throughout the agency.

In response to a Congressional request, the OIG will conduct an audit of MSHA's Accountability Program. MSHA has advised the OIG that MSHA is currently revising its Accountability Program. This audit will determine the status of what changes MSHA made in the Program in response to OIG's prior report, and what actions it plans to take to revise the Program.

Objective/Key Question: Have MSHA's actions, since the issuance of OIG's 2007 report, been effective in improving its Accountability Program, and what actions does MSHA plan to take improve the Program?

***Occupational Safety and Health Administration (OSHA) Management Accountability Program***

Director: Schwartz      Ongoing

Background: OSHA established its Management Accountability Program to improve the accountability and effectiveness of the Agency's programs and operations. In September 2010, OSHA updated the Management Accountability Program to address previous audit findings and recommendations from GAO.

Objective/Key Question: Does OSHA's Management Accountability Program provide reasonable assurance that its programs were carried out as intended?

***OSHA Site Specific Targeting Program***

Director: Schwartz      Ongoing

Background: Each year, OSHA conducts approximately 35,000 inspections with about 3,000 of these under its Site-Specific Targeting (SST) program. Started in 1999, SST directs OSHA's enforcement resources toward non-construction worksites (with at least 40 workers) that have the highest rates of injuries and illnesses. To identify worksites for inspection, OSHA uses data from its prior year's Data Initiative Survey. Prior OIG audits found fatalities occurred at worksites that OSHA should have included as part of the SST inspection but did not. OSHA may be basing its SST program injury rate calculation on inaccurate or incomplete information.

In November 2002, GAO recommended OSHA strengthen the validity of the data used to identify worksites in the Site-Specific Targeting program by addressing the data weaknesses identified in its report.

Objectives/Key Questions: Does SST target the highest risk non-construction worksites and establishments (i.e., high injury rates and/or fatalities)? What information does OSHA have about the effectiveness of its SST program?

***Effectiveness of MSHA Laboratories***

Director: Swedberg (Acting)

Background: MSHA operates laboratories in support of its mine inspection and accident investigation responsibilities. These laboratories analyze various samples (e.g., rock dust,

respirable metal/nonmetal and coal mine dust, gases, liquids, and solids) to determine if safety or health hazards exist in the mines and examine and test evidence obtained from mine fires and explosions. Past OIG audit work identified concerns that MSHA's laboratories may lack sufficient procedures, performance metrics, or resources to adequately accomplish these duties.

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

***Outcomes of MSHA's Actions to Improve Procedures for the Review and Approval of Coal Mine Operators' Roof Control Plans***

Director: Swedberg (Acting)

Background: In August 2007, "a major coal bump/bounce" occurred in the Crandall Canyon Mine in Utah, sparking a tragedy in which nine men died: six miners and three rescue workers. When the accident occurred, the mine operator was using a high-risk mining technique known as "retreat mining" where miners remove pillars of coal previously left to support the mine roof in order to recover the maximum amount of coal. In response to a Congressional request, the OIG audited MSHA's process for reviewing, approving, and overseeing the implementation of selected amendments to the Roof Control Plan at Crandall Canyon.

OIG's March 2008 audit report, *MSHA Could Not Show It Made the Right Decision In Approving the Roof Control Plan At Crandall Canyon Mine*, contained nine recommendations to MSHA as a result of findings related to the agency's review, approval, and oversight processes for coal mine roof control plans. MSHA agreed with the recommendations and stated it had started or planned numerous corrective actions.

The purpose of this audit is to perform follow-up work to determine what actions MSHA has completed in response to our prior recommendations, and to assess whether MSHA's current process for reviewing and approving mine roof control plans provides reasonable assurance that miners are protected.

Objective/Key Question: Have MSHA's actions in response to OIG's 2008 audit report been effective in improving the review, approval, an oversight processes for coal mine roof control plans?

***OSHA Voluntary Protection Program***

Director: Schwartz

Background: OSHA's Voluntary Protection Program (VPP) recognizes employer worksites that implement effective safety and health systems and maintain injury/illness rates below national averages. VPP sets performance-based criteria for a managed safety and health system, invites worksites to apply, and then assesses applicants against these criteria. OSHA's verification includes an application review and an onsite evaluation by a team of OSHA safety and health experts. VPP participants with the highest rating are reevaluated every three to five years. Work sites at the next level receive evaluations, every 18 to 24 months. VPP participants are exempt

from OSHA programmed inspections while they maintain their VPP status. Incorrect VPP approvals, during preliminary evaluation or a re-evaluation could leave workers vulnerable. Objective/Key Question: Is the VPP performance-based criteria clearly defined and applied consistently to all applicant worksites? Are the participants reevaluated consistently by the regions?

### ***BLS Survey of Occupational Injuries, Illnesses and Fatalities***

Director: Katz

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

Objectives/Key Questions: What are the differences between BLS Survey of Occupational Injuries and Illnesses data and state workers' compensation reports that impact the usefulness and reliability of the Survey? If there are differences, what are the causes? Are the differences indicators that the BLS data is inaccurate or unreliable?

### ***Wage and Hour Division (WHD) Procedures to Ensure that Employees Receive Back Wages***

Director: Grice

Background: DOL's Wage and Hour Division (WHD) administers and enforces a range of Federal labor laws, including, but not limited to, the *Fair Labor Standards Act (FLSA)*, that require employers to pay workers minimum wage and overtime compensation. If an employer is fined by WHD for noncompliance but then fails to pay the back wages, WHD collects the money on behalf of the affected workers and maintains the back wages collected in a fiduciary fund account until WHD can find and make payment to the affected workers. During FY 2010, cash held by the fiduciary account increased by more than \$11 million.

Objective/Key Question: Does WHD have effective processes and control procedures to ensure that workers receive back wages collected on their behalf as promptly as possible?

### ***H-2B Protections for American Workers in Temporary Nonagricultural Service Employment***

Director: Peña

Background: The H-2B program allows employers to hire foreign workers to enter the United States temporarily in order to perform nonagricultural services or labor on a one-time, seasonal, peak load or intermittent basis. The Office of Foreign Labor Certification (OFLC), within the DOL's Employment and Training Administration, administers the program. Petitioning employers must first apply for a temporary labor certification from the Secretary of Labor

indicating that (1) there are not sufficient U.S. workers who are capable of performing the temporary services or labor at the time of filing the petition for H-2B classification and at the place where the foreign worker is to perform the work; and (2) the employment of the foreign worker will not adversely affect the wages and working conditions of similarly employed U.S. workers.

In response to a Congressional request, OIG conducted an audit and recently issued a report (Report No. 17-12-001-03-321) of OFLC's certification process to review and approve H-2B applications for four employers located in Oregon in the forest industry. The audit found the regulations hampered ETA's ability to ensure the H-2B program provided adequate protection. The audit also found that the SWAs involved with the audited applications did not completely fulfill their responsibilities under the program. During this audit OIG will determine the impact of these weaknesses in other industries and or other areas of the country.

Objective/Key Question: Is OFLC able to ensure that the H-2B program provides adequate wage and job protection for U.S. workers?

### ***Impact of ETA Action to Strengthen Procedures for Processing H-1B Labor Condition Applications***

Director: Peña

The H-1B program allows employers to hire foreign workers to enter the United States temporarily in order to perform specialty services for a temporary period in professional occupations or as fashion models. Employers, who wish to hire foreign workers under H-1B, file a Labor Condition Application (LCA) with the ETA. In the LCA the employer attests that the appropriate wage rate will be paid to the foreign worker; that the employer has notified any bargaining representatives or has otherwise posted the notice of the intent to employ alien workers; and there is no strike or lockout at the place of employment.

The Office of Foreign Labor Certification (OFLC), within the DOL's Employment and Training Administration (ETA), is responsible for processing (certifying or denying) LCAs. OFLC is required to certify only LCAs that are complete and don't contain obvious inaccuracies. OFLC processes approximately 400,000 LCAs annually. Once OFLC certifies an LCA, employers can petition the Department of Homeland Security for an H-1B visa.

In April 2009, OFLC implemented an electronic system known as iCERT to initially process LCAs. The iCert processing system uses a series of electronic checks to flag LCAs that are potentially incomplete or inaccurate. Analysts manually check 100 percent of flagged LCAs and review a portion of the non-flagged LCAs. An OIG report (Report No. 06-09-004-03-321) issued in September 2009 reported that electronic checks in the iCERT needed strengthening. We recommended OFLC implement improvements to iCERT edit controls as revisions are identified and incorporate electronic checks that flag if an employer selects no for concurrence with LCA statements; obvious inaccuracies in prevailing wage county location and prevailing wage source; and if the prevailing wage is listed as anything other than on an hourly basis for part-time positions.

Objectives/Key questions: Have ETA's actions to change the iCert system been effective in ensuring OLFC certifies only LCAs that are complete and do not contain obvious inaccuracies?

**GOAL: ASSIST DOL IN MAINTAINING AN EFFECTIVE MANAGEMENT PROCESS**

***Department of Labor's Fleet Management Accountability***

Director: Katz

Background: In 2010, the General Services Administration (GSA) reported that DOL had 3,904 vehicles in its inventory at a cost of \$21,436,630. An OIG evaluation (Report No. 2E-07-711-0001) issued in March 2002 reported that a majority of DOL's motor vehicle fleet was driven less than 800 miles per month creating unnecessary costs for DOL. The OIG calculated that DOL could recognize cost savings of up to \$2.5 million annually by eliminating underutilized vehicles from the existing motor vehicle fleet. At the time of the evaluation, DOL's motor vehicle fleet was comprised of more than 4,000 vehicles, 3,600 of which were light duty passenger vehicles.

On May 24, 2011, President Barack Obama issued a Presidential Memorandum on Federal fleet performance. The Memorandum states the Federal Government must lead by example by using alternative fueled vehicles in its fleet of light duty vehicles. The Memorandum further requires Federal agencies determine the optimum inventory of its fleet by conducting a Vehicle Allocation Methodology (VAM). The Agencies must submit the results of the VAM to GSA by February 17, 2012.

Objectives/Key Questions: Is the Office of Assistant Secretary for Management (OASAM) managing the Department fleet effectively to ensure that the fleet is managed to effectively meet the mission-related requirements of the Department at the lowest cost? Has OASAM effectively overseen Agency implementation of the requirements in the May 24<sup>th</sup>, 2011, Presidential Memorandum?

***Complaint Response***

Director: All                      Ongoing

Background: The OIG receives complaints and referrals alleging fraud, waste, abuse, and misconduct from a variety of sources, including Federal managers and employees, state and local grantee officials, DOL program participants, and private citizens. All complaints are reviewed and prioritized for further research based on the nature, magnitude, and specificity of the allegation or complaint. As a result of the research, some complaints are audited.

Objective/Key Question: Does the allegation or complaint have merit? Are corrective actions necessary?



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

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

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

Director: Howell                      Ongoing

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

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

Objectives/Key Questions: Did states provide eligible workers with employment services and case management services, as required by TGAAA? Did ETA provide adequate oversight of states’ implementation of the TGAAA to provide assurance eligible workers received employment and case management services? Was ETA able to demonstrate that dispensed funds resulted in job placement and job retention for participants?

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

Director: Howell                      Ongoing

Background: The Recovery Act provided the DOL \$500 million in additional WIA Adult program and \$1.25 billion in WIA Dislocated Worker program formula funds to award to states. ETA guidance required that states spend these funds no later than June 30, 2011. To promote training of those most impacted by the recession, Congress included key provisions related to the states’ use of these additional WIA funds. For example, the Recovery Act required that states give priority to serving public assistance recipients and other low-income individuals with additional WIA Adult formula program funds. Additionally, to expedite training participants for

high-demand jobs, the Recovery Act allowed local Workforce Investment Boards to contract directly with community colleges and other eligible providers, so long as these organizations can offer training — which would not interfere with customer choice — to multiple participants. This audit will be conducted in multiple states.

**Objectives/Key Questions:** To what extent did states use additional WIA Adult and WIA Dislocated Worker formula funds under the Recovery Act to increase the percentage of participants they served with direct training and supportive services? To what extent did states give priority of service to public assistance recipients and low-income adults in the WIA Adult program, as required by the Recovery Act? Did ETA provide adequate technical assistance and oversight to states regarding their implementation of the provision to give priority of service to low-income persons in the WIA Adult Program?

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

Director: Howell                      Ongoing

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

**Objectives/Key Questions:** To what extent did ETA ensure that states administered and awarded Recovery Act funds properly to eligible participants? To what extent have grantees monitored participants' training, placement and continued employment? To what extent were employers reimbursed for retention of participants?

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

Director: Howell                      Ongoing

**Background:** The Recovery Act provided an additional \$120 million for current Senior Community Service Employment Program (SCSEP) grantees to supplement their Program Year 2009 funding. The SCSEP places eligible low-income persons 55 years and older in part-time community-service employment jobs at non-profits or government agencies. The goal of the program is to prepare older workers to enter or re-enter the workforce. The Recovery Act does not contain requirements for how grantees must spend the additional funds. However, ETA guidance stated that the Agency expected SCSEP grantees to use the extra resources to “expand the number of SCSEP participants assigned to community service work, especially in the growth industries emphasized in the Recovery Act (e.g., health care, child care, education, green jobs,

energy efficiency and environmental services).” One of several challenges cited by ETA in its Recovery Act plan for the SCSEP was that both the legislation enabling SCSEP and the Recovery Act prohibit participants from doing work that was formerly done by a laid-off worker. Because many non-profit organizations and government agencies laid off workers due to the recession, SCSEP grantees may have faced difficulty placing participants.

**Objectives/Key Questions:** To what extent did ETA ensure that states administered and awarded Recovery Act funds properly to eligible grantees? To what extent have grantees monitored participants training, placement, and continued employment? To what extent were employers reimbursed for On-the-Job Experience training of placed participants?

***Recovery Act: Outcomes for Participants who Received Training for “Green Jobs”***

Director: Howell

**Background:** The Department used \$435.4 million provided by the Recovery Act to train individuals for careers in energy efficiency and renewable energy, or “Green Jobs,” as described in Section 171(e) (1) (B) of WIA. ETA awarded 97 grants from these Recovery Act funds under three different competitive grant programs. Examples of targeted groups served by the grants included persons living below or near poverty, and incumbent workers in need of skills upgrading because national energy and/or environmental policy impacted their jobs. As of June 30, 2011, grantees reported they served 52,762 of the targeted nearly 125,000 participants. As of this date, 61 percent of the grant periods had ended, and grantees reported placing just more than 8,000 participants (10 percent) into jobs out of the target of nearly 80,000 individuals. Congressional interest in Federal spending on “green jobs” continues to grow; several oversight and appropriations committee hearings have been held where Members questioned Federal officials about how agencies spent Recovery Act funds for “green jobs” and related activities. OIG plans to audit whether states and grantees trained participants for “green jobs” and if those individuals found related employment, as the Recovery Act intended. We plan to report on multiple states.

**Objectives/Key Questions:** How did grantees spend the \$435.4 million in Recovery Act funds to train participants for careers in energy efficiency and renewable energy industries? Who received training and what type of training did they receive? What outcomes did grantees achieve? Did participants obtain training-related employment; if so, at what level of skill and compensation?

***Recovery Act: Outcomes for WIA Adults and Dislocated under the Recovery Act***

Director: Howell

**Background:** The Recovery Act funds included an additional \$1.75 billion in WIA formula funds for DOL to award to states for the WIA Adult (\$500 million) and WIA Dislocated Worker programs (\$1.25 billion). Congress expected states and local workforce areas to use these supplemental resources to serve more persons impacted most by the recession with job search, training, and support services to help them secure employment. As a result of the additional WIA funds, program participation soared. For example, the number of exiters from local WIA Dislocated Worker Programs increased 83 percent—from nearly 279,000 in 2009 to 510,455 in

2010. In a prior audit report of outcomes for WIA adults and dislocated workers who received training, the OIG reported that 37 percent of the sampled exiters either did not obtain employment or their employment was unrelated to the training they received. OIG plans to look at outcomes for participants who received WIA services under the Recovery Act. We plan to audit and report on outcomes from multiple states.

Objectives/Key Questions: Who received services with additional WIA Adult and Dislocated Worker funds provided to states under the Recovery Act? What services did they receive, and what were the outcomes? Did individuals obtain and retain employment? Did they obtain training-related employment? How did states determine that a job was “training-related?”

**GOAL: SAFEGUARD WORKERS’ AND RETIREES’ BENEFIT PROGRAMS**

***Recovery Act: Effectiveness of State Workforce Agency Controls for Detecting and Recovering Overpayments of Unemployment Insurance Benefits***

Director: Howell/Grice

Background: Due to the 2008 recession, UI benefits increased from \$42 billion in FY 2008 to \$156 billion in FY 2010. The increase reflects \$57 billion that the Recovery Act provided DOL to fund the states to pay additional unemployment insurance (UI) benefits to eligible claimants. The Recovery Act authorized these funds through the following three programs: emergency UI extension program (\$37 billion); Federal Additional Compensation (\$14 billion); and extended benefits (\$6 billion). ETA monitors SWA benefit control programs, which are designed to detect overpayments. The recession and slow economic recovery may have prompted some SWAs to shift limited resources from detecting and recovering UI overpayments to processing claims from the jobless. This poses risks of potential overpayments and that SWAs may not have adequate controls to identify and recover those funds. ETA’s estimate of UI overpayments increased from \$3.9 billion in FY 2008 to \$16.5 billion in FY 2010. OIG plans to audit the effectiveness of SWA controls for UI overpayment detection and recovery in multiple states.

Objectives/Key Questions: Do SWAs have adequate internal controls to effectively identify and recover UI overpayments? Does ETA effectively monitor the SWAs to ensure they could detect and recover UI overpayments?

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

***Recovery Act: OSHA Activities under the Recovery Act***

Director: Howell                      Ongoing

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

Objectives/Key Questions: How much money did OSHA receive under the Recovery Act and how did the agency spend it? Did OSHA achieve its objectives, as described in its Recovery Act Plan, to hire 76 FTE and to conduct additional inspections and enforcement activities?

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