
Top Management Challenges (Issued November 16, 2012)

The Top Management Challenges identified by the Office of the Inspector General (OIG) for the Department of Labor (DOL) are discussed below.

2012 Top Management Challenges Facing the Department of Labor

For 2012, the OIG considers the following as the most serious management and performance challenges facing the Department:

- Protecting the Safety and Health of Workers
- Protecting the Safety and Health of Miners
- Improving Performance Accountability of Workforce Investment Act Grants
- Ensuring the Effectiveness of the Job Corps Program
- Reducing Improper Payments
- Maintaining the Integrity of Foreign Labor Certification Programs
- Ensuring the Security of Employee Benefit Plan Assets
- Securing Information Technology Systems and Protecting Related Information Assets
- Ensuring the Effectiveness of Veterans' Employment and Training Service Programs
- Improving Procurement Integrity

For each challenge, the OIG presents the challenge, the OIG's assessment of the Department's progress in addressing the challenge, and what remains to be done. These top management challenges are intended to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical services to the public.

CHALLENGE: Protecting the Safety and Health of Workers

OVERVIEW

The Occupational Safety and Health Administration (OSHA) was established by the Occupational Safety and Health Act of 1970 (OSH Act). OSHA's mission is to assure, so far as possible, that every working man and woman has safe and healthy working conditions. OSHA ensures the safety and health of more than 130 million workers at over seven million establishments by setting and enforcing workplace safety and health standards; providing training, outreach, and education; and encouraging continuous improvement in workplace safety and health.

CHALLENGE FOR THE DEPARTMENT

With more than seven million entities under its oversight and Bureau of Labor Statistics' preliminary data indicating that 4,609 workers suffered fatal workplace injuries in 2011, OSHA continues to be challenged on how to best target its resources to the highest-risk worksites nationwide and to measure the impact of its policies and programs and those of the 27 states authorized by OSHA to operate their own safety and health programs. OSHA carries out its enforcement responsibilities through a combination of self-initiated and complaint investigations, but can reach only a fraction of the entities it regulates. Consequently, OSHA must strive to target the most egregious and persistent violators and protect the most vulnerable worker populations.

Recent OIG audits have found that the highest risk industries and worksites were not always targeted and inspected, and OSHA lacked outcomes-based performance metrics to measure and demonstrate the causal effect of its own Federal programs on the safety and health of workers nationwide. Without such metrics, OSHA cannot determine the effectiveness of either Federally-operated or state-run worker safety and health programs, and, as

such, cannot ensure that its limited resources are being used efficiently and with the greatest possible impact on worker safety and health.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

OSHA has established a workgroup with state representatives in order to develop and adopt effectiveness measures for state-operated safety and health programs. Moreover, OSHA is working on establishing regular processes for evaluating the success of its enforcement strategies in helping to achieve its desired outcomes. In this regard, the Department initiated a multi-year study of OSHA's Site Specific Targeting (SST) program to assess the impact of the program interventions on future employer compliance.

OSHA should continue its efforts to work with state representatives on implementing effectiveness measures for state-operated safety and health programs. OSHA should also include the highest risk worksites in SST program targeting, prioritize and complete inspections of the highest risk worksites, and continue with the study on the SST program which is expected to conclude during FY 2013. Finally, OSHA needs to strengthen its oversight and increase the effectiveness of its Management Accountability Program.

CHALLENGE: Protecting the Safety and Health of Miners

OVERVIEW

The Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act), charges the Mine Safety and Health Administration (MSHA) with protecting the health and safety of more than 380,000 miners who work at over 14,100 mines nationwide.

CHALLENGE FOR THE DEPARTMENT

MSHA continues to be challenged to effectively manage its resources to meet statutory mine inspection requirements while successfully accomplishing other essential functions to help ensure that every miner returns home safely at the end of each day. Our audits have shown that MSHA remains challenged to maintain a cadre of experienced and properly trained enforcement staff to meet its statutory enforcement obligations. This challenge will soon be exacerbated by retirements, with more than 50 percent of MSHA's enforcement personnel eligible to retire by 2014. MSHA also faces challenges in establishing a successful accountability program, and to some degree, deficiencies continue to recur. In addition, as scientific knowledge and mining practices change, MSHA must promote the development and use of new technologies and ensure that its standards and regulations keep pace.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

MSHA has made some progress in addressing these challenges. MSHA continues to identify and hire mine inspector candidates, within authorized personnel levels, through job announcements and employment screening events held in various locations throughout the country. In addition, MSHA maintains a single-source web-based page in order to provide potential mine inspector trainees with hiring information.

MSHA has initiated a "Rules to Live By" campaign which targets common mining deaths, recognized OSHA standards on fall protections, and implemented pre-assessment conferences to allow resolution of citations and orders before litigation. Additionally, MSHA's rulemaking agenda includes new regulations for proximity detection systems for mobile machines in underground mines and lowering miners' exposure to coal mine dust.

MSHA has made multiple changes to its organizational and reporting structures and several revisions to policies and procedures to improve its accountability program, but this remains a work in progress. MSHA must continue to develop a succession plan in order to ensure that properly trained mine inspectors are ready to step in as retirements occur, fully implement its accountability program, timely complete its rulemaking agenda, and encourage technological advances.

CHALLENGE: Improving Performance Accountability of Workforce Investment Act Grants

OVERVIEW

In Fiscal Year (FY) 2012, the Department's Employment and Training Administration (ETA) was appropriated \$3.2 billion for the Workforce Investment Act (WIA) Adult, Dislocated Worker, and Youth programs. WIA adult employment and training services are provided through formula grants to states and territories or through competitive grants to service providers to design and operate programs for disadvantaged, often unemployed persons. ETA also awards grants to states to provide reemployment services and retraining assistance to individuals dislocated from their employment. Youth programs are funded through grant awards that support program activities and services to prepare low-income youth for academic and employment success, including summer jobs.

CHALLENGE FOR THE DEPARTMENT

The Department is challenged in ensuring that the WIA grant programs are successful in training and placing workers in suitable employment to reduce chronic unemployment, underemployment, and reliance on social payments by the population it serves. Our audit work over several decades has documented the difficulties encountered by the Department in obtaining quality employment and training providers; ensuring that performance expectations are clear to grantees and sub-grantees; obtaining accurate and reliable data by which to measure and assess the success of grantees and states in meeting the program's goals; providing active oversight of the grant making and grant execution process; disseminating proven strategies and programs for replication; and, most critically, ensuring that training provided by grantees leads to placement in training-related jobs paying a living wage.

For example, our audit in 2008 of the \$271 million High Growth Job Training Initiative to help workers acquire necessary skills for jobs in high growth industries such as health care and biotechnology disclosed that ETA awarded most of the grants non-competitively, that grantee performance expectations were so unclear in many cases we could not determine whether or not they met their goals and, where the agreements had more clarity, we determined that grantees did not meet objectives with respect to: training and placement goals; product completion; product delivery and required tracking of outcomes. The lack of clarity in grant proposals that were approved called into question the rigor of ETA's review of the proposals and the merit of ETA's decision to award the grants, especially because ETA decided to award them non-competitively. A 2011 OIG audit of the WIA Adult and Dislocated Worker program found that 37 percent of program participants either did not obtain employment or their employment was unrelated to the training that they received. OIG projected that the amount of funds paid for this training outcome totaled approximately \$124 million. Our October 2012 audit of the \$500 million Recovery Act Green Jobs program designed to train those most affected by the recession for jobs in "green" industries found that the program had limited success because 47 percent of those served already had a job; that only 38 percent of those trained were placed in jobs; and that, as of December 2011, only 16 percent of the collective job retention goal had been met. We also found that almost half of the training provided consisted of 1-5 days of training, that 92 percent of "credentials" received for participating in the program were merely certificates of completion, and that there were significant disparities of participant job retention goals proposed by grantees and approved by ETA. A finding common in all three audits, was the significant problem in obtaining accurate, reliable, and detailed performance data from grantees, sometimes requiring us to reconstruct records in order to be able to make assessments as to what was actually accomplished.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

ETA recently awarded 26 Workforce Innovation Fund grants with the goal of evaluating strategies for delivering services more efficiently, achieving better outcomes, and facilitating cooperation across programs and funding streams. ETA has indicated that it will capture promising practices and lessons learned and share them with the broader workforce system. In addition to this type of program evaluation, ETA should continue to closely monitor the WIA grants and address the disconnections between the training provided and the realities of the job market.

To that end, ETA should consider using Labor Market Information tools and provide technical assistance to grantees.

ETA has made design changes to the WIA Gold Standard Evaluation of the Adult and Dislocated Worker programs. ETA expects to receive the first evaluation report (on implementation) during the Fall of 2013, the first impact report in 2015 and the final report in 2016. Through this evaluation, ETA intends to measure the net impact of specific interventions, such as the incremental effects of the intensive and training services provided to adults and dislocated workers. The multi-year WIA Gold Standard is funded on an annual basis and is contingent on the availability of appropriated funding.

ETA and the Department have identified the reauthorization of WIA as a legislative priority and have specified several goals that the Department believes should be a focus of the reauthorization process. Among those goals is improving accountability by updating the performance measures used by WIA programs.

To meet the increased demand for services and improve coordination with other service providers, ETA continues to work with the Department of Health and Human Services to develop a strategy for addressing client needs in the One-Stop Center setting. The regions are working with various Federal agencies to coordinate activities at the state level. Activities include the coordination of training strategies to maximize employer skill needs and the facilitation of successful outcomes from the TANF program.

The OIG considers these initiatives to be of importance. In particular, we recommend that ETA give maximum priority to the goal of evaluating strategies for delivering services more effectively and efficiently to address the many grant making and program performance issues we have identified over the past several decades.

CHALLENGE: Ensuring the Effectiveness of the Job Corps Program

OVERVIEW

The Job Corps program provides residential and nonresidential education, training, and support services to approximately 60,000 disadvantaged, at-risk youths, ages 16-24, at 125 Job Corps centers nationwide. The goal of this \$1.7 billion program is to offer an intensive intervention to this targeted population as a means to help them turn their lives around and prevent a life-time of unemployment, underemployment, dependence on social programs, or criminal behavior.

CHALLENGE FOR THE DEPARTMENT

The Department is challenged in providing a safe, residential and nonresidential education and training program which results in outcomes that truly assist at-risk, disadvantaged youth in turning their lives around including: placement in training-related employment, entrance into advanced vocational/apprenticeship training, entrance into higher education, or enlistment in the military. Our audits have consistently documented the Department's difficulty in ensuring the quality of residential life, a critical component of the Job Corps intensive intervention experience. Specifically, our audits have disclosed safety and health hazards and physical maintenance needs at various centers as well as, in some instances, a lack of enforcement of disciplinary policies.

Our audits have also demonstrated the challenge faced by the Department in obtaining and documenting desired program outcomes. Most centers are operated by contractors through performance-based contracts with incentive fees and bonuses which are tied directly to contractor performance. Absent strict oversight, there is a risk that contractors will overstate performance results and maintain disruptive students on site. We have also documented problems with ETA's reporting of job training matches. A 2011 audit found that 3,226 of the 17,787 placements reported for the periods reviewed either did not relate, or poorly related, to the vocational training received (e.g., students trained in office administration placed in fast food restaurants) and another 1,569 students were placed in jobs that required little or no previous skills or experience, such as parking lot attendants, janitors, and dishwashers.

We have also documented significant problems with centers being unable to ensure that funds are only being expended on serving participants who qualify for the program, and centers being unable to ensure that major procurements include proper competition and ensure best value to the program.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

The Department conducted on-site safety and health evaluations at 123 centers; trained center safety officers and staff; and published several information notices and policy changes. To improve its reported performance data, Job Corps is updating its Job Training Match Crosswalk to align with the revised DOL O*NET-Standard Occupational Classification database, which characterizes all jobs in the U.S. labor market. OIG continues to recommend that Job Corps provide rigorous oversight of contractors at all centers to: ensure they provide a safe environment that is conducive to learning; ensure that only those who qualify for the program are served; improve the transparency and reliability of performance metrics and outcomes; and ensure that center operators and other service providers comply with applicable procurement requirements.

CHALLENGE: Reducing Improper Payments

OVERVIEW

The Office of Management and Budget (OMB) has designated the Unemployment Insurance (UI) and Workforce Investment Act (WIA) programs as being at risk of making significant improper payments. The Federal Employees Compensation Act (FECA) program is also susceptible to improper payments. In total, for Fiscal Year (FY) 2011, the Department reported improper payments totaling approximately \$13.7 billion.

According to the U. S. Government Accountability Office, the UI program reported the fourth highest dollar amount of improper payments of any Federal program in FY 2011. Over the past three fiscal years, payments to UI recipients have grown to unprecedented levels, totaling about \$389 billion. This rapid, large growth, especially in Federally-funded emergency and additional benefits, has increased the risk of improper payments. Indeed, the UI improper payment rate has increased from 11.2 percent in FY 2010 to 12.0 percent in FY 2011, and remains well above the target rate of 9.8 percent.

CHALLENGE FOR THE DEPARTMENT

Identifying and reducing the rate of improper payments in the UI program continues to be a challenge for the Department, as evidenced by the increasing rate of improper payments in recent years. Our audits have found that the Department lacked effective controls over the detection of improper payments for both the UI state and Federal programs, and that the Department's estimate of recoverable payments may be understated. In addition, OIG investigations continue to uncover fraud committed by individual UI recipients who do not report or underreport earnings, as well as fraud related to fictitious employer schemes.

The Department also remains challenged in identifying the full extent of improper payments in the WIA and FECA programs. As highlighted in past OIG audits, the estimation method used for the FECA program does not appear to provide a reasonable estimate of improper payments. Without this information, the Department cannot implement the appropriate corrective actions that will reasonably assure taxpayers' funds are adequately safeguarded. In addition, OIG investigations continue to identify high amounts of FECA compensation and medical fraud, which has often greatly surpassed the Department's improper payments estimates. For the WIA program, we have noted that data are not readily available to allow the Department to directly sample grant payments to develop a statistically valid estimate of improper payments.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

The Department continues to work with states to implement a number of strategies to improve prevention, detection and recovery of UI improper payments. Among numerous other initiatives, the Department has launched a website that clearly identifies each state's estimated UI improper payment rate and payments over a 3-year

period, and has undertaken the “Improper Payment High Priority States” initiative to reduce the UI improper payment rate in those states with unacceptably high levels over a prolonged period. However, the Department needs to employ cost benefit and return on investment analyses to evaluate the impact of those improper payment reduction strategies. The Department can further improve oversight of the states’ detection and prevention of UI overpayments by increasing the frequency of on-site reviews at State Workforce Agencies. The Department must also ensure that California – the state with the largest amount of estimated UI improper payments – has implemented the National Directory of New Hires (NDNH) by December 31, 2012. In addition, the Department needs to continue pursuing legislation to allow States to use a percentage of recovered UI overpayments to detect and deter benefit overpayments.

With respect to improper payments in the FECA program, the Department stated that it is in the process of designing a methodology for estimating the FECA improper payment rate. In the WIA program, the Department has attempted to identify the full extent of improper payments by including estimates from other sources, but it should continue to consider other sampling methods in order to provide a more complete estimate of improper payments. Further, the Department needs to provide full disclosure in the Agency Financial Report regarding the limitations of the data used to estimate WIA overpayments.

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

OVERVIEW

The Department’s Foreign Labor Certification (FLC) programs are intended to provide U.S. employers access to foreign labor in order to meet worker shortages – as long as U.S. workers are not adversely affected. The H-1B visa specialty workers’ program requires that employers, who intend to employ foreign specialty occupation workers on a temporary basis, file labor condition applications with the Department. The H-2A program allows agricultural employers, who anticipate a shortage of domestic workers, the ability to bring nonimmigrant foreign workers to the U.S. to perform agricultural labor or services of a temporary or seasonal nature. The H-2B program establishes a means for U.S. nonagricultural employers to bring foreign workers into the U.S. to meet temporary worker shortages.

CHALLENGE FOR THE DEPARTMENT

DOL is challenged to provide U.S. businesses access to foreign workers to meet their workforce needs while protecting the jobs and wages of U.S. workers. Our audits have found that statutory limits on the Department’s authority, and uncertainty regarding the process for including individuals or entities debarred on the government-wide excluded parties lists are some of the issues that have negatively impacted the H-1B program. For the H-2B program, the Department published a new rule establishing a compliance-based format that emphasizes the review of documentation provided to ETA in advance of its certification determination; this action addresses challenges related to the old attestation model established in 2008. However, due to pending legal actions, the Department is temporarily enjoined from implementing or enforcing the revised rule and continues to operate under the attestation model in which employers merely assert, but do not demonstrate, that they have performed an adequate test of the U.S. labor market before hiring foreign workers in lieu of U.S. workers.

OIG investigations continue to uncover schemes carried out by immigration attorneys, labor brokers, and transnational organized crime groups. Our investigations have repeatedly revealed that fraudulent applications filed with DOL on behalf of fictitious companies, as well as schemes wherein fraudulent applications were filed using the names of legitimate companies without the companies’ knowledge. Additionally, we continue to uncover complex schemes involving fraudulent DOL FLC documents filed in conjunction with or in support of similarly falsified identification documents required by other Federal and state organizations.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

To address the H-1B challenge, the Department has entered into a contract with a third-party vendor in order to have access to a more comprehensive employer identification database and verification system. To improve the H-2B program, ETA has issued two new final rules, one for determining prevailing wage rates and another which replaced the self-attestation model with a compliance-based format. The effective date of the wage rule has been extended to March 27, 2013, because of legislation which prevents the use of funds to implement, administer or enforce the rule. The new rule establishing a compliance-based format emphasizes the review of documentation provided to ETA in advance of the certification determination. However, due to pending legal actions, the Department is temporarily enjoined from implementing or enforcing the revised rule. This matter is on appeal to the U.S. Court of Appeals for the Eleventh Circuit and the Department expects a decision in the second quarter of FY 2013. The Department is also working on ways to include FLC suspensions and debarments on the government-wide excluded parties list, and made its first referral in July 2012.

The Department still needs to evaluate the results of its certification processes in order to assess their effectiveness. In addition, the Department needs to enhance its monitoring of the H-2B application process in order to ensure that employers are fully complying with program requirements and intentions. DOL also needs to make adjustments in order to enhance the integrity of its employer verification services by fully implementing its electronic employer verification controls over the H-1B program and the remaining FLC programs. Furthermore, DOL needs to continue assessing and applying its debarment action and ensure debarments are reported to appropriate DOL personnel for inclusion in the government-wide exclusion system. Finally, ETA needs to ensure State Workforce Agencies (SWAs) have implemented the methods for reviewing and clearing job orders and making interstate referrals of U.S. workers as reported in their FY 2012 state grant plans.

CHALLENGE: Ensuring the Security of Employee Benefit Plan Assets

OVERVIEW

The mission of the Department's Employee Benefits Security Administration (EBSA) is to protect the security of retirement, health, and other private-sector employer-sponsored benefit plans for America's workers, retirees, and their families. EBSA is responsible for administering and enforcing the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA). It has jurisdiction over an estimated 707,000 retirement plans, 2.3 million health plans and a similar number of other welfare plans. These plans hold about \$6.7 trillion in assets and cover approximately 141 million participants and beneficiaries.

CHALLENGE FOR THE DEPARTMENT

EBSA's limited authority and resources present challenges to achieving its mission of administering and enforcing ERISA requirements for an estimated 5.3 million employee benefit plans covering approximately 141 million participants and beneficiaries. Chief among EBSA's challenges over the past couple of decades has been the fact that millions in pension assets held in otherwise regulated entities, such as banks, escape audit scrutiny because of limited scope audits authorized under ERISA, which result in no opinion on the financial status of the plan by the independent public accountants that conduct the limited review. These concerns were renewed and heightened by recent audit findings that as much as \$3.3 trillion in pension assets received these types of no opinion audits, providing no assurances to participants as to the financial health of their plans.

EBSA is further challenged by the many changes that have taken place in the employee benefit plan community since ERISA was enacted in 1974, such as the shift from defined benefit retirement plans to defined contribution retirement plans, the large increase in the types and complexity of investment products available to pension plans, and the new health care law. In addition, uncertainty about the effectiveness of EBSA enforcement programs on ERISA compliance makes it difficult for EBSA to direct its limited resources effectively among its regional offices to the enforcement areas where they would do the most good.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

As an initial step in developing performance metrics to measure the effectiveness of its enforcement program, EBSA implemented a broad Sample Investigation Program (SIP) in FY 2011, which reviewed 259 randomly selected employee benefit plans for compliance with ERISA. EBSA continued to review plans under the SIP in 2012 and will analyze results at the end of the year and develop the first baseline compliance measure in FY 2013.

EBSA should complete its evaluation of the results of the Sample Investigation Program to determine what changes are needed to improve enforcement program effectiveness. EBSA should also continue to work to obtain legislative changes to address deficient benefit plan audits and to ensure that auditors with poor records do not perform any additional plan audits. In addition, EBSA should renew its efforts to obtain additional authority over plan auditors, and to repeal the limited scope audit exception.

CHALLENGE: Securing Information Technology Systems and Protecting Related Information Assets

OVERVIEW

The Department's Information Technology (IT) systems contain sensitive information that is central to its mission and to the effective administration of its programs. DOL systems are used to analyze and house the nation's leading economic indicators, such as the unemployment rate and the Consumer Price Index. They also maintain critical data related to enforcement actions, worker safety, health, pension, and welfare benefits, job training services, and other worker benefits.

CHALLENGE FOR THE DEPARTMENT

Safeguarding information assets is a continuing challenge for Federal agencies, including DOL. The Administration's goal of expanding the use of technology to create and maintain an open and transparent government, while safeguarding systems and protecting sensitive information, has added to the challenge. Recent OIG audits have identified access controls, background investigations, and oversight of third-parties involved in operation and support of IT systems, as significant deficiencies. In addition, we have identified major weaknesses in the process of sanitizing electronic media prior to it being removed from DOL's control and destroyed.

We have also identified issues with the timeliness of mitigating identified vulnerabilities. The Department implemented a risk management program to prioritize corrective action plans. However, after years of planned implementation the Department has not made measurable progress to move the program forward.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

The Department has made progress in establishing risk mitigation as a priority via its Risk Management program. The Office of the Chief Information Officer (OCIO) established Priority Security Performance Metrics and began measuring agency progress on achieving these metrics.

The Department has also begun an IT modernization program with the goal to create a 21st-century IT infrastructure. As part of DOL's IT modernization, program users will access their network accounts by logging on to their desktops and/or laptop computers using their permanent DOL badge, also known as a Personal Identity Verification (PIV) card. The DOL-issued PIV card is designed to enhance security, reduce identity fraud, and protect personal privacy.

The IT Modernization program includes consolidating the Department's nine infrastructures in an effort to create a more unified, robust, and scalable IT service organization. In addition, DOL has acquired an enterprise IT system

monitoring tool to assist in configuration management, vulnerability assessment, and accounting for the inventory of electronic devices connecting to each IT system.

To improve upon identity management and security issues, DOL needs to continue to reduce its IT footprint by completing its data center consolidation efforts and reducing the number of external connections. Furthermore, while the movement of email to the cloud was delayed and is not scheduled until the Summer of 2013, the Department must take steps to ensure the cloud is secure prior to implementation. A greater presence in IT system security is needed by the Executive level; fully implementing DOL's planned Risk Management Program will assist in that effort as Executives become integral to the discussion and understanding of their IT security issues and setting mitigation priorities. To enhance security, reduce identity fraud, and protect personal privacy, DOL also needs to ensure its PIV card workstation logon process is fully implemented throughout the Department.

CHALLENGE: Ensuring the Effectiveness of Veterans' Employment and Training Service Programs

OVERVIEW

The Department's Veterans' Employment and Training Service (VETS) programs are intended to provide both veterans and transitioning service members the resources and services necessary for them to succeed in the workforce by maximizing their employment opportunities and protecting their employment rights. Under the Jobs for Veterans State Grant (JVSG) program, VETS issues grants to State Workforce Agencies to assist veterans in obtaining and maintaining gainful employment. These grants are issued with a special emphasis on providing intensive services to meet the employment needs of disabled veterans. Another VETS program, the Transition Assistance Program (TAP), provides a three day training session in which participants learn techniques for job searches, processes for career decision-making, conditions of the current occupational and labor market, how to write a resume, and interview techniques.

CHALLENGE FOR THE DEPARTMENT

According to data published by the Bureau of Labor Statistics, the monthly unemployment rate for veterans has gone down over the past year, declining from 8.1 percent in September 2011 to 6.7 percent in September 2012. However, many veterans still cannot find meaningful work, and the Department remains challenged to provide the services these veterans need to prepare themselves for the civilian job market. This is especially true for post-9/11 veterans, as the portion of these veterans seeking work was 9.7 percent in September 2012, substantially above the 7.4 percent unemployment rate for nonveterans. Moreover, the September 2012 unemployment rate for post-9/11 female veterans remained high at 19.9 percent.

Our audits have found that JVSG staff needed to do a better job of accurately assessing the veterans' needs and documenting intensive service activities - particularly for homeless veterans with disabilities. We have also found that VETS did not use measurable performance goals and outcomes to evaluate program effectiveness and lacked adequate contracting oversight for TAP workshop services. These deficiencies undermined VETS's ability to ensure that it was providing a high-quality program which helps veterans successfully transition from military to civilian employment.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

In collaboration with the Department of Defense and the VA, VETS has instituted a new TAP Employment Workshop which is scheduled to be completed in November 2012. VETS is also collaborating with other cognizant agencies to explore new data sharing possibilities that would allow standards and policy for monitoring TAP Employment Workshops, student load, and outcome goals. VETS is also ensuring that the Disabled Veteran Outreach Program focuses on those veterans who have the most significant barriers to employment by providing more intensive services.

VETS still needs to ensure that JVSG program funds are used effectively to provide services to veterans and disabled veterans who have the most significant barriers to employment. Further, VETS needs to provide rigorous oversight over contractors, grantees, and state agencies for all programs. VETS also needs to implement standard forms and policy for monitoring TAP Employment Workshops, establish clear performance measures and outcome goals, and sign a new Memorandum of Understanding with partner agencies to define each agency's roles and responsibilities. In addition, VETS needs to ensure that its staff complies with management controls for contract administration.

CHALLENGE: Improving Procurement Integrity

OVERVIEW

The Department contracts for many goods and services to assist in carrying out its mission. In Fiscal Year 2012, DOL awarded an estimated 3,325 new contracts totaling about \$360 million, and issued almost 6,000 modifications to existing contracts totaling approximately \$1.6 billion.

CHALLENGE FOR THE DEPARTMENT

Ensuring integrity in procurement activities is a continuing challenge for the Department. Until procurement and programmatic responsibilities are properly separated and effective controls are put into place, DOL will continue to be at risk for wasteful and abusive procurement practices. Our most recent audits and investigations of DOL's procurement activities identified the need for better control and monitoring of procurement activities delegated to program agencies.

The current control environment surrounding the Department's procurement activities has introduced both financial and operational risk to DOL. The lack of standard and updated operating procedures leaves the consistency and quality of DOL's procurement functions heavily dependent on the various program agencies with delegated procurement authority. OIG audits have found that DOL could not produce documentation that it awarded some contracts based on the best value to the government. Moreover, for some contract modifications reviewed, DOL could not produce documentation that it issued contract modifications within the scope of work and terms of the initial contracts.

The issues described above, along with those in the *Securing Information Technology Systems and Protecting Related Information Assets* challenge, highlight the need for DOL to appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. DOL continues to be out of compliance with the Service Acquisition Reform Act of 2003 requirement that executive agencies appoint a CAO whose primary duty is acquisition management. The Assistant Secretary for Administration and Management presently serves as DOL's CAO, while retaining other significant non-acquisition responsibilities.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

To ensure integrity in procurement activities, the Department has stepped up its efforts to ensure procurement staff receives appropriate training. In addition, the Department has issued guidance to improve DOL's overall procurement program that included provisions which require contractors to inform the contracting officer of suspected procurement violations, and require agencies and Contracting Officer's Technical Representatives to certify that task orders are properly within the scope of the contract and that there is no conflict of interest. The Department has also issued guidance addressing procurement conflicts of interest and has provided training to DOL senior executive staff focusing on ethics and procurement integrity, and lessons learned.

The Department needs to continue its development of standard and consistent internal controls, and compliance frameworks for component agencies with procurement authority in order to ensure the consistency and quality of DOL's procurement functions. Furthermore, DOL needs to complete procurement reviews of all of its acquisition offices, update internal policies and procedures in order to clarify the processes related to acquisition planning and

administration of procurements, and ensure all contracting officers and contracting officer representatives obtain necessary certifications. While DOL is taking positive actions to improve procurement integrity, it has yet to appoint a Chief Acquisition Officer whose primary duty is acquisition management.

Changes from Last Year

Changes to the Top Management Challenges from FY 2011 include the combining of “Safeguarding Unemployment Insurance” and “Improving the Management of Workers’ Compensation Programs” into a single challenge entitled “Reducing Improper Payments.” Also, “Protecting the Safety and Health of Miners” is presented as a separate challenge; in prior years it was included within the “Protecting the Safety and Health of Workers” challenge.

Ensuring the successful development and implementation of major information management systems was previously discussed in our FY 2011 Top Management Challenges. Traditional system developments are losing their importance as the Department moves to cloud computing services for almost all its applications. As a result, we have removed the information system development as a separate issue in the FY 2012 Top Management Challenges.