

GAO

Report to the Ranking Minority  
Member, Committee on Governmental  
Affairs, U.S. Senate

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June 2001

# DEPARTMENT OF LABOR

## Status of Achieving Key Outcomes and Addressing Major Management Challenges



G A O

Accountability \* Integrity \* Reliability

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### Abbreviations

GPRA              Government Performance and Results Act of 1993

JTPA              Job Training Partnership Act

NAFTA-TAA      North American Free Trade Agreement-Transitional Adjustment Assistance

OIG              Office of Inspector General

PBGC              Pension Benefit Guaranty Corporation

PWBA              Pension and Welfare Benefits Administration

SAVER            Savings Are Vital to Everyone's Retirement Act

TAA              Trade Adjustment Assistance

TANF              Temporary Assistance for Needy Families

UI                Unemployment Insurance

WIA              Workforce Investment Act



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United States General Accounting Office  
Washington, DC 20548

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June 15, 2001

The Honorable Fred Thompson  
Ranking Minority Member  
Committee on Governmental Affairs  
United States Senate

Dear Senator Thompson:

As you requested, we reviewed the Department of Labor's fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act of 1993 (GPRA) to assess the agency's progress in achieving selected key outcomes that you identified as important mission areas for the agency.<sup>1</sup> These are the same outcomes we addressed in our June 2000 review of the agency's fiscal year 1999 performance report and fiscal year 2001 performance plan to provide a baseline by which to measure the agency's performance from year to year.<sup>2</sup> These selected key outcomes are as follows:

- Fewer workplace injuries, illnesses, and fatalities occur.
- Job training participants get and keep jobs.
- Worker benefits are protected.
- Individuals successfully transition from welfare dependency to self-sufficiency.

As agreed, using the selected key outcomes for Labor as a framework, we (1) assessed the progress Labor has made in achieving these outcomes and the strategies the agency has in place to achieve them; and (2) compared Labor's fiscal year 2000 performance report and fiscal year 2002 performance plan with the agency's prior year performance report and plan for these outcomes. Additionally, we agreed to analyze how Labor addressed its major management challenges, including the governmentwide high-risk areas of strategic human capital management and information security, that we and Labor's Office of Inspector General (OIG) identified. Appendix I provides detailed information on how Labor

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<sup>1</sup>This report is one of a series of reports on the 24 Chief Financial Officers (CFO) Act agencies' fiscal year 2000 performance reports and fiscal year 2002 performance plans.

<sup>2</sup>See *Observations on the Department of Labor's FY 1999 Performance Report and FY 2001 Performance Plan* (GAO/HEHS-00-125R, June 30, 2000).

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addressed these challenges. (App. II contains Labor's comments on a draft of this report.)

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## Results in Brief

Labor reported making progress in achieving its key outcomes. Labor's fiscal year 2000 performance report showed that most of the goals associated with these outcomes were met. In general, Labor's strategies for achieving these outcomes appear to be clear and reasonable but seldom incorporated human capital management because the agency addressed this issue largely through agencywide management goals. Specifically:

Planned Outcome: Workplace injuries, illnesses, and fatalities are reduced: Labor reported making progress in achieving this outcome. Labor reported that it did not meet one goal, substantially achieved another goal, and met the remainder. Assessing fiscal year 2000 progress for some goals was complicated because Labor does not always clearly indicate when it is using fiscal year 1999 data and targets. When current data are not available, OMB guidance calls for agencies to identify the goals for which complete data are not available and, among other things, indicate when the data will be available. Although Labor generally followed these guidelines, the discussion was sometimes confusing and it was not always clear what target level was being assessed. The strategies used to achieve the goals appear to be clear and reasonable, and include efforts related to information technology.

Planned Outcome: Job training participants get and keep jobs: Labor reported making progress in achieving this outcome, with performance meeting most of the goals. However, assessing progress for some goals has been complicated by the transition from one employment and training program to another and by the lag in available performance data. While the strategies Labor will use to achieve these goals appear to be reasonable, it is not always clear how a strategy will achieve a given outcome. For example, Labor did not adequately explain how work incentive grants would be used to help people with disabilities improve their employability and employment through one-stop centers. Some goals use information technology as strategies, and one goal incorporates human capital management strategies.

Planned Outcome: Worker benefits are protected: Labor reported making progress in achieving this outcome, meeting all but one of the goals we reviewed. Labor's plan retains a goal we previously criticized because it measured changes in private pension plan coverage that are outside

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Labor's control. In addition, Labor changed one of its goals in a way that will make it difficult to assess whether the goal is actually being met. The strategies Labor proposes to achieve these goals often appear to be clear and reasonable. However, some strategies are not specific or clear enough to be able to assess whether they would help Labor achieve the goal.

Planned Outcome: Individuals successfully transition from welfare dependency to self-sufficiency: Labor reported making progress in achieving this outcome, meeting its only goal under this outcome. Labor improved the goal from last year's report by incorporating a measure for job retention and one for increased earnings. The strategies identified to achieve the goal appear to be clear and reasonable and incorporate program evaluation. However, Labor provided little information that would help assess the impact of the Welfare-to-Work grants.

Labor improved its fiscal year 2000 performance report from its fiscal year 1999 report by providing more complete information on the quality and credibility of performance data and on its efforts to address major management challenges. However, the fiscal year 2000 report did not include useful information on future plans as did last year's report, and we encourage Labor to include this information in future reports. Labor improved how it reports on goals that are assessed using the previous year's data and target levels when current information is not available, and followed OMB guidance in presenting such goals. However, the report could be improved by also including the fiscal year 2000 goal and target. In addition, Labor used a new assessment category—"substantially achieved"—when at least 80% or more of the goal was attained. Although the goals Labor identified as substantially achieved were nearly met and actual performance was fully disclosed, the use of this category may give an impression of successful performance across all goals or on a specific goal when actual performance might be as much as 20 percent below the target.

Labor made limited substantive changes in the fiscal year 2002 performance plan as compared with the fiscal year 2001 performance plan. Generally, the plan continues to provide a clear progression toward intended outcomes: many goals remain the same while increasing their numeric targets, allowing Labor to demonstrate progress over time. Labor's fiscal year 2002 plan improved its discussion of its efforts to verify and validate performance data as compared with the fiscal year 2001 plan. However, it still lacks sufficient information on how it will address certain data limitations, such as timeliness and coverage limitations found in Unemployment Insurance (UI) data required to track performance for

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several employment and training programs, such as those under the Workforce Investment Act. A weakness in Labor's plan is that the broad goals Labor developed to address human capital and information technology challenges rely on performance indicators to assess performance that do not accurately measure progress toward the goal. In addition, it is not clear how the indicators will be aggregated to assess overall goal achievement. We are recommending that Labor revise its performance goals on strategic human capital management and information technology so that the performance indicators more accurately and fully measure efforts to achieve the goal.

Labor included goals and measures in its fiscal year 2000 report and fiscal year 2002 plan to address the major management challenges identified by us, which are generally similar to the key selected outcomes. The agency also included goals and measures to address the governmentwide, high-risk area of strategic human capital management in its fiscal year 2000 report and fiscal year 2002 plan. Although Labor did not have goals related to the high-risk area of information security, it described its efforts and progress to resolve this challenge in its current performance report and plan.

In commenting on the draft report, Labor generally agreed with our findings and recommendation to revise its performance goals regarding strategic human capital management and information technology.

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## Background

GPRA is intended to shift the focus of government decisionmaking, management, and accountability from activities and processes to the results and outcomes achieved by federal programs. New and valuable information on the plans, goals, and strategies of federal agencies has been provided since federal agencies began implementing GPRA. Under GPRA, annual performance plans are to clearly inform the Congress and the public of (1) the annual performance goals for agencies' major programs and activities, (2) the measures that will be used to gauge performance, (3) the strategies and resources required to achieve the performance goals, and (4) the procedures that will be used to verify and validate performance information. These annual plans, issued soon after transmittal of the President's budget, provide a direct linkage between an agency's longer-term goals and mission and day-to-day activities.<sup>3</sup> Annual

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<sup>3</sup>The fiscal year 2002 performance plan is the fourth of these annual plans under GPRA.

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performance reports are to subsequently report on the degree to which performance goals were met. The issuance of the agencies' performance reports, due by March 31, represents a new and potentially more substantive phase in the implementation of GPRA—the opportunity to assess federal agencies' actual performance for the prior fiscal year and to consider what steps are needed to improve performance and reduce costs in the future.<sup>4</sup>

The role of the Department of Labor is to promote the welfare and economic security of the nation's workforce and ensure that workplaces are safe. To carry out its mission, the agency oversees a broad array of programs, from those that help students' transition into the workforce to those that inspect the workplace or ensure the integrity of pension plans for retirees. These activities affect more than 100 million workers and more than 10 million employers.

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## Assessment of Labor's Progress and Strategies in Achieving Selected Key Outcomes

This section discusses our analysis of Labor's performance in achieving its key selected outcomes and the strategies the agency has in place, relating to human capital<sup>5</sup> and information technology, for achieving these outcomes.

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### Workplace Injuries, Illnesses, and Fatalities

Labor reported making progress toward its outcome of reducing injuries, illnesses, and fatalities in the workplace. Labor reported that it met four of the six goals we reviewed under this outcome and substantially achieved another goal. In several cases, Labor exceeded the goal. For example, since fiscal year 1995, injury and illness rates declined by 20 percent in almost 68,000 workplaces where Labor intervened through efforts such as inspections, exceeding the target goal of 50,000 workplaces. In addition, for many of the goals, Labor presented data showing performance trends over a number of years. However, assessing progress for some goals was

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<sup>4</sup>The fiscal year 2000 performance report is the second of these annual reports under GPRA.

<sup>5</sup>Key elements of modern strategic human capital management include strategic human capital management planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.

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difficult because it was not always clear which fiscal year goal and target level was being assessed.

Like last year, Labor did not meet its fiscal year 2000 goal to reduce fatalities in the construction industry. However, Labor provides a plausible explanation for why external factors may have contributed to this shortfall—demand for more construction workers in a booming economy that likely resulted in a workforce with less experience combined with an increased pace and volume of work. Labor also provides clear strategies that appear likely to achieve the goal in the coming year, such as providing grants to develop, conduct, and expand safety and health training and partnering with local contractor organizations to raise safety awareness and bring training to Spanish-speaking contractors.

Another goal under this outcome was reported by Labor as “substantially achieved,” a new category used in the fiscal year 2000 report when at least 80 percent of the goal is attained.<sup>6</sup> The goal is in two parts: to reduce nonfatal mining injuries and to reduce mining fatalities. Labor met the first part of the goal but did not meet the second part of the goal to reduce fatalities below the targeted 5-year average of 89 fatalities. There were 89 fatalities, bringing Labor very close to achieving the goal. Labor fully described actual progress toward the goal and identified the probable cause of the shortfall.

Assessing progress on three of the goals under this outcome was complicated because complete fiscal year 2000 data were unavailable. For these goals, Labor reported progress using fiscal year 1999 data and targets instead of fiscal year 2000 data and targets. For example, Labor’s fiscal year 2000 report stated that the fiscal year 1999 goal to reduce injuries and illnesses by 3 percent in industries characterized by high hazards was exceeded based on calendar year 1999 data. Labor could not assess achievement of its fiscal year 2000 goal with a target level of 7 percent because the necessary data would not be available until December 2001. Where complete data were not available, Labor followed OMB guidance calling for agencies to indicate when the data will be available, include performance information from the preceding year, and include the actual information in the subsequent report. However, tracking progress

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<sup>6</sup>Although Labor reported certain goals as “substantially achieved,” for purposes of our review, we considered these goals not met because they were not fully achieved.

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can be confusing because the fiscal year 2000 report lists only the fiscal year 1999 target level and omits the fiscal year 2000 target level.

Strategies to achieve goals under this outcome appear to be clear and reasonable and often used information technology, coordination with other federal agencies, and program evaluation to achieve the goals. None of the goals involved human capital strategies. Labor addressed strategic human capital management through agency-wide management goals rather than linking such strategies to specific programmatic goals or outcomes. Labor reported that it will use information technology, including Web-based courses, to provide safety and health training and interactive computer systems to help employers improve hazardous conditions in the workplace. In addition, Labor has been evaluating the effectiveness of the various interventions— such as inspections—it uses to reduce injuries and illnesses. Labor’s fiscal year 2002 plan calls for more program evaluations of its safety and health programs, policies, and specific standards to assess how effectively they reduce workplace injuries and illnesses. Other strategies mentioned in the fiscal year 2002 plan include coordination with other federal agencies, such as the Small Business Administration, to improve workplace safety and health. The importance of coordinating with other federal agencies is highlighted in our previous work on safety at hazardous material facilities. In October 2000, we reported that Labor and at least three other federal agencies were not coordinating requirements, such as training for hazardous material workers.<sup>7</sup> We recommended various ways to improve coordination, such as determining whether agency agreements were effective and consolidating training requirements. Labor acknowledged points of overlap regarding worker training and did not object to the recommendations.

Some of the strategies described in Labor’s fiscal year 2002 plan were more clearly linked to achieving goals than in the 2001 fiscal year plan. For example, in our prior review of Labor’s fiscal year 2001 plan, we found that Labor did not sufficiently explain how certain programs, such as the “Consultation” and “Voluntary Protection Programs,” would reduce injury and illness rates. The fiscal year 2002 plan now explains how these strategies will be effective.

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<sup>7</sup>See *Worker Protection: Better Coordination Can Improve Safety at Hazardous Material Facilities* (GAO-01-62, Oct. 26, 2000).

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Labor's 2002 performance plan retained many of the same performance goals from the fiscal year 2001 plan, and for 2002, Labor added a new goal measuring the effectiveness of voluntary, cooperative efforts between employers and Labor in reducing injuries, illnesses, and fatalities. For several of the goals it retained, Labor raised the target levels, allowing the agency to demonstrate progress toward achieving its overall strategic goals. This includes increasing the target level for its unmet goal to reduce construction industry fatalities from 11 percent in 2001 to 15 percent in 2002, even though Labor did not meet its previous target of 3 percent in fiscal year 1999 and 7 percent in 2000. Labor acknowledges that this is an ambitious target but indicates that recent program initiatives are expected to yield positive results in fiscal year 2001.

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## Job Training Participants Getting and Keeping Jobs

Labor reported making progress in achieving its outcome to ensure that job training participants get and keep jobs, with performance meeting many of the goals and often exceeding them. For example, Labor's Women's Bureau, in collaboration with other organizations, prepared 31,588 women for the workforce, exceeding the target level of 25,000. Labor presented data showing performance trends over a number of years for some of the goals. Table 1 shows the goals we considered under this outcome.<sup>8</sup>

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<sup>8</sup>For this outcome, we reviewed only those goals that relate to job training and job training outcomes. We did not review goals that focus primarily on employment outcomes, such as those involving the Employment Service or Veterans' Employment and Training Service.

**Table 1: Fiscal Year 2000 Goals and Measures Under Outcome On Job Training Participants Getting and Keeping Jobs**

Goal/Measure	FY 2000 Status
64% of JTPA adult disadvantaged trainees will be employed one quarter after program exit with average weekly earnings of \$292.	Met <sup>a</sup>
The new Work Incentive Grant program will be implemented by September 30, 2000, with plans for 20 to 40 awards in state and local areas to enhance services for people with disabilities in the One-Stop Center environment.	Met
Prepare 25,000 women for the labor force by providing tools and education on equal pay, occupational segregation, pension benefits, dependent care, nontraditional occupations, safe and healthy workplaces, and rights in the workplace.	Met
77% of JTPA youth trainees will be employed or obtain advanced education or job skills.	Met <sup>a</sup>
75% of Job Corps trainees will get jobs or pursue further education, with those obtaining jobs having an average starting wage of \$6.50 per hour.	Met <sup>a</sup>
At least 25 communities will be awarded Youth Opportunity grants, and collectively enroll 3,000 youth by the end of FY 2000.	Met
Under JTPA for dislocated workers, 74% of program trainees will be employed at an average wage replacement of 93% at termination; 76% will be employed one quarter after program exit at an average wage replacement rate of 97%.	Not Met <sup>a</sup>
72% of TAA and NAFTA-TAA participants will be employed upon termination and achieve at least 80% of their pre-separation wage.	Not Met

<sup>a</sup>Based on fiscal year 1999 target levels and program year 1999 performance data. These programs are forward-funded and follow a program year that begins 9 months after the fiscal year for which program funding was received.

Source: U.S. Department of Labor Annual Report, Fiscal Year 2000

Labor reported meeting six goals and substantially achieving two goals. These two goals focused on worker retraining—one related to the Job Training Partnership Act (JTPA) dislocated worker program and another related to the Trade Adjustment Assistance (TAA) and North American Free Trade Agreement-Transitional Adjustment Assistance (NAFTA-TAA) program. For both goals, the target level for the average wage replacement rate was exceeded, but the portion of the goal addressing employment rates fell short. The target level to employ JTPA dislocated workers was 74 percent, but actual performance was 71 percent; the employment target level one quarter after JTPA program exit was 76 percent, but actual performance was slightly lower at 75 percent. Labor notes that it did not fully meet the goal because several states that were high performers under JTPA could not be included in the calculation for fiscal year 2000. These states no longer collect data under JTPA; they collect data under the newly implemented Workforce Investment Act (WIA).

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For the goal related to the TAA and NAFTA-TAA programs, Labor reported that the target level to employ NAFTA-TAA program participants was 72 percent, but actual performance was about 65 percent. Labor attributes the shortfall to continued difficulties in getting complete and accurate data. The report discusses efforts to improve reporting and explains how the revised reporting system for fiscal year 2001 should help states provide more complete and accurate information. Our ongoing work on NAFTA-TAA may help shed light on the need for comprehensive performance data to determine the efficacy of training and job placement approaches. In our prior work, we recommended that Labor establish: (1) an effective performance measurement system for these programs, (2) procedures to allow Labor to certify workers within required time frames, and (3) more effective internal controls and oversight procedures to decrease the likelihood that ineligible workers are given benefits.<sup>9</sup> Labor appears to be making significant efforts to respond to these recommendations. Labor is redesigning its data reporting system to match the system used in WIA and is developing a detailed manual on data reporting for states and localities. Labor has also established processing procedures to improve the time frame within which petitions are reviewed. Although Labor is reviewing data to identify ineligible recipients, the performance report does not identify what steps are being taken to develop internal controls.

Assessing progress toward meeting the goals under this outcome has been complicated by the transition from JTPA to WIA and the lag in available performance data for fiscal year 2000. Labor provides a reasonable discussion of its fiscal year 2000 performance and its plans for transitioning to WIA performance measures for the coming year. However, a clearer description of the challenges posed by this transition would help to assess whether its plans are sufficient to facilitate meeting next year's goals. In addition, the three JTPA goals and the Job Corps goal were assessed using fiscal year 1999 target levels and not target levels set in Labor's fiscal year 2000 plan. This lag in available data arises because the programs run on a program-year basis that begins 9 months after the fiscal year for which program funding is received. Finally, the goal to assist women in the workforce is very broad, and the performance measure fails to capture what services participants are receiving or accessing—a weakness we observed in our previous review of Labor's performance report.

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<sup>9</sup>See *Trade Adjustment Assistance: Trends, Outcomes, and Management Issues in Dislocated Workers Programs* (GAO-01-59, Oct. 13, 2000).

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The strategies Labor uses to achieve the goals we reviewed under this outcome are largely clear and reasonable. Some goals use strategies related to information technology; one goal includes strategies related to human capital management. Labor provides a clear explanation for training needs when discussing its goal to award Youth Opportunity grants, explaining that experienced staff coaches will help train case managers, teach youth development strategies, and assist in building relationships with other organizations that serve youth. Yet other strategies are unclear. In the fiscal year 2000 report, when discussing efforts to improve data integrity in the JTPA disadvantaged adult program, Labor mentions “providing system-wide staff training, where necessary,” without adequately explaining what types of training might be required or how they will assess when and where training will be needed. Finally, our previous review noted that the discussion of this goal contained very little information on the quality of performance data used to assess it; however, this year’s report is improved because it provides information on Labor’s efforts to validate the program data it is using.

In its fiscal year 2002 performance plan, Labor continues to focus its efforts on increasing the earnings of participants in certain programs. Target levels are raised for several fiscal year 2002 performance goals, allowing Labor to demonstrate progress toward achieving its goals over time. However, the transition from JTPA to WIA will make performance on some goals difficult to compare. In spite of transition problems, Labor anticipates that the implementation of WIA will significantly improve its reporting capabilities and program outcomes. The incorporation of job retention measures in its fiscal year 2002 plan for WIA goals provides an important dimension of program performance, and our ongoing work on WIA performance measures may help Labor assess the effectiveness of the measures proposed for WIA.

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## Worker Benefits

Labor reported making progress toward its outcome of protecting worker benefits. Labor reported meeting all but one of its fiscal year 2000 goals related to protecting worker benefits. Table 2 shows the goals we reviewed for this outcome. For example, Labor reported making significant progress in its goal of reducing the average time frame to decide final benefit levels for participants in pension plans taken over by the Pension Benefit Guaranty Corporation (PBGC). By focusing its newly streamlined case processing strategies on the oldest cases during fiscal year 2000, PBGC reduced the average time frame from between 5 and 6 years to between 4 and 5 years. In its 2002 performance plan, Labor reports that its goal is to further reduce this timeframe to 3 years. In its

annual report, Labor presented data showing performance trends over a number of years for several goals. The performance plan shows that it has increased target levels for some goals under this outcome, modified others, and discontinued one. However, in some cases, the discussion of the impact of these changes was incomplete or unclear, as was the discussion of the strategies Labor proposes to accomplish the goals.

**Table 2: Fiscal Year 2000 Goals and Measures Under Outcome on Worker Benefits**

<b>Goal/Measure</b>	<b>FY 2000 Status</b>
Unemployed workers get fair Unemployment Insurance benefit eligibility determinations and timely benefit payments.	Not met
Increase by 1% the number of workers covered by a pension plan sponsored by their employer, particularly women, minorities, and workers in small businesses.	Met <sup>a</sup>
Return federal employees to work after an injury as early as appropriate as indicated by a 9% reduction from baseline in average number of production days lost due to disability. Reduce the number of lost days to 173 in Quality Case Management cases; establish baseline for all cases.	Met
Produce \$66 million in cumulative first-year savings (FY 1999 - 2000) through Periodic Roll Management.	Met
In the Federal Employees' Compensation Act (FECA) program, save an additional \$5 million over FY 1999 compared to amounts charged through full-year implementation of fee schedules for inpatient hospital and pharmacy services; save \$1.5 million compared to amounts charged for physician services through the Correct Coding Initiative (CCI).	Met
Timely and accurate Davis-Bacon wage determinations: Survey each area of the country for all 4 types of construction at least every 3 years, with wage determinations validly reflecting locally prevailing wage/benefits. For FY 2000, implement scanning technology/develop knowledge management technology; complete analysis of Bureau of Labor Statistics data, and decide whether a reengineering or reinvention approach will be pursued in FY 2001.	Met
Reduce by 1 year the average timeframe to send final, accurate benefit determinations to participants in defined benefit pension plans taken over by PBGC.	Met
Increase by 2% benefit recoveries for individuals that are achieved through the assistance of Pension Benefit Advisors to \$53 million.	Met
Increase by 2.5% both the number of closed investigations of employee pension and health benefit plans where assets are restored (to 819) and the number where prohibited transactions are corrected (to 301).	Met

<sup>a</sup>Based on fiscal year 1999 data. Target levels were unchanged from 1999 to 2000.

Source: U.S. Department of Labor Annual Report, Fiscal Year 2000.

Labor reported that it failed to meet only one of its performance goals in the area of protecting worker benefits—paying UI claims fairly and promptly—which it reported as “substantially achieved.” Labor established two separate criteria for this goal—one that judged whether

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eligibility was determined fairly and another that judged whether workers received their UI benefits on schedule. Out of a goal of 24 states, 23 met the criteria for determining eligibility fairly. Labor reports that an additional six states came very close. For the other portion of the goal—workers receiving their UI benefits on schedule—Labor reported that it met the goal of 47 states. Labor explains that the lower performance level for fairly determining eligibility reflects, in part, states' focus on cost-saving efforts, such as telephone claims-taking. Furthermore, Labor has been tightening the underlying review process making it harder for states to meet the criterion. Despite missing the goal, Labor reported that it has increased the threshold for fiscal year 2002—30 states must meet the eligibility fairness criteria and 49 states must provide UI benefits on schedule. Labor provides reasonable strategies that appear likely to help achieve this goal, such as engaging in ongoing discussions with states, employers, and UI claimants to improve communication, identify issues, and promote input in the design of the programs.

One of the goals that Labor reported meeting in fiscal year 2000, through the efforts of the agency's Pension and Welfare Benefits Administration (PWBA), was to increase by 2.5 percent both (1) the number of closed investigations of employee pension and health benefit plans where assets are restored (to 819) and (2) the number where prohibited transactions are corrected (to 301). During fiscal year 2000, Labor combined the data for pension and health benefits, but tracked separate goals for each element—assets restored and prohibited transactions corrected. Beginning in its fiscal year 2001 plan and continuing in its 2002 plan, Labor has created two separate goals—one for pensions and another for health benefit plans. This move could make it easier to track outcomes for the two separate benefit components. However, Labor aggregated goals for the individual elements into a single targeted goal that covers both assets restored and prohibited transactions corrected. In addition, it added two more elements to this aggregate goal—the number of cases in which participant benefits are recovered and the number in which plan assets are protected from mismanagement. As a result, it will be difficult to assess whether the goal is actually being met, because success in one element of the goal may obscure failure in another.

Performance goals for 2002 raise the target levels for several measures and include a new goal to promptly review applications for foreign labor certifications to ensure that aliens admitted to work will not adversely impact domestic workers' wages or working conditions. The importance of this goal was highlighted in our earlier work on the H-2A program for agricultural workers and the H-1B program for highly skilled foreign

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workers. Additionally, in our major management challenges series, we cited weaknesses in strategic planning and resulting problems in organizational alignment that could affect the agency's ability to protect worker benefits.<sup>10</sup> Specifically, we found that having multiple agencies manage these programs resulted in program inefficiencies that confuse participants and delay the application process. We recommended ways to simplify and shorten the H-2A application process and better protect H-2A and domestic workers, including a recommendation that Labor collect data on its performance in meeting deadlines and use these data to monitor and improve its performance.<sup>11</sup> We also recommended that Labor consolidate program authority for H-2A workers into a single agency within Labor to increase the effectiveness of enforcement. Labor has made efforts to implement these recommendations, and has completed some. In a September 2000 report, we suggested that the Congress consider eliminating Labor's role in reviewing H-1B petitions because its review is limited by law and duplicates the efforts of the Immigration and Naturalization Service.<sup>12</sup> Labor disagreed with this suggestion.

As a result of accomplishing a portion of the goal related to establishing prevailing wage rates for the construction industry as required by the Davis-Bacon Act, Labor reported that it is undertaking a reengineering effort to apply new information technologies and processes to the existing Davis-Bacon survey program to improve its accuracy, timeliness, and participation. Labor discontinued the goal for fiscal year 2002; but neither Labor's fiscal year 2002 performance plan nor its fiscal year 2000 performance report discussed how it plans to monitor the law's survey requirements in the interim.

In its fiscal year 2002 performance plan, Labor continues a goal for protecting workers' benefits that we previously criticized—increasing by 1 percent the number of workers who are covered by a pension plan sponsored by their employer. In our review of Labor's fiscal year 1999 performance report and fiscal year 2001 plan, we said that Labor could develop a more useful measure by focusing on the proportion of the total

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<sup>10</sup>See *Major Management Challenges and Program Risks: Department of Labor* (GAO-01-251, Jan. 2001).

<sup>11</sup>See *H-2A Agriculture Guestworker Program: Changes Could Improve Services to Employers and Better Protect Workers* (GAO/HEHS-98-20, Dec. 31, 1997).

<sup>12</sup>See *H-1B Foreign Workers: Better Controls Needed to Help Employers and Protect Workers* (GAO/HEHS-00-157, Sept. 7, 2000).

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workforce covered by pensions. In addition, the number of workers with pensions is affected by a multitude of factors outside of Labor's control and, as a result, it is unlikely that a valid relationship exists between Labor's efforts and the outcome as measured. We have suggested that Labor use program evaluation methods to determine whether such a relationship exists and that Labor develop intermediate outcomes or output-oriented indicators that have a clearer relationship with the activities it undertakes. In its fiscal year 2002 performance plan and fiscal year 2000 report, Labor does not mention such efforts and continues to rely upon educating customers regarding the importance of retirement planning as the primary strategy for achieving this outcome. Our ongoing work to assess Labor's retirement savings education efforts under the Savings Are Vital to Everyone's Retirement Act (SAVER) of 1997 may shed light on this issue.

Labor's fiscal year 2002 plan describes several program-specific strategies for achieving the outcome of protecting worker benefits. The strategies often appear to be clear and reasonable; none directly address human capital management. Some strategies emphasize the use of new information technologies, such as the use of new document imaging hardware to convert older paper files into electronic files. Other strategies in the plan were not specific or clear enough to be able to assess whether they would help Labor achieve the goal. For example, to improve the fairness and timeliness of UI benefits, Labor proposes developing and implementing a UI performance management system "...to enhance performance planning, facilitate performance achievement, and assess the effectiveness of program improvement efforts through capacity building, technical assistance, best practices, and other key initiatives." Similarly, in last year's review, we noted that this strategy did not sufficiently explain how Labor will achieve this goal.

Labor's 2002 performance plan does not discuss several strategies it is undertaking to serve pension plan participants more effectively and efficiently. In prior work, we found weaknesses in PBGC's contract management—such as inadequate links between contracting decisions and long-term strategic planning and a lack of centralized performance data to monitor contractor performance—and we made several recommendations to address these problems.<sup>13</sup> For example, we recommended that PBGC

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<sup>13</sup>See *Pension Benefit Guaranty Corporation: Contract Management Needs Improvement* (GAO/T-HEHS-00-199, Sept. 21, 2000); and *Pension Benefit Guaranty Corporation: Contracting Management Needs Improvement* (GAO/HEHS-00-130, Sept. 18, 2000).

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undertake a comprehensive review to better link staffing and contracting decisions to its long-term strategic planning process so that it will be prepared for future workload changes and that it compile performance data centrally to better manage contractors. PBGC has begun work on these efforts, but these efforts are not reflected in the performance plan because Labor does not consider them to be a key strategy in achieving this goal.

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### Transitioning Individuals From Welfare Dependency to Self-Sufficiency

Labor reported that it made progress toward the key selected outcome of transitioning individuals from welfare dependency to self-sufficiency. For this year, Labor's single goal under this outcome has incorporated a measure for job retention and one for increased earnings, which are critical dimensions of program performance. This is an improvement over the fiscal year 1999 measure, which did not address job retention and targeted wage rates. Labor reported that it exceeded the goal with 84 percent remaining in the workforce for six months with an average earnings increase of 59 percent, surpassing the target levels of 60 percent that remained in the workforce with an average earnings increase of 5 percent. Labor acknowledged data limitations in the earnings increase rate of 59 percent, reporting that this rate may be inflated due to inconsistent reporting by Welfare-to-Work grantees. It is working to improve reporting methods by grantees and will issue revised reporting instructions. This is an improvement over Labor's fiscal year 1999 report which, as noted in our previous review, did not provide information on the quality of performance data.

Although Labor reported that it exceeded the goal, it did not provide detailed information on how many participants have been served, which would clarify the impact the program has had to date—a weakness we observed in our previous performance review. At the same time, Labor acknowledges that participation levels lag and has requested and received congressional approval to extend the period over which grantees may expend their funds. Although this time period has been extended, the Welfare-to-Work grant program was only funded in fiscal years 1998 and 1999 and no new funding is expected. In future plans, Labor might consider discussing the limited nature of the program and providing long-term strategies for serving this population when funding expires in future plans.

In general, Labor's strategies for meeting the goal in fiscal year 2002 are plausible. None of the strategies involved the use of human capital management. Labor plans a pilot program to fund employers to upgrade

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the skills of Temporary Assistance for Needy Families (TANF) participants, allowing the employers to then backfill entry level positions with Welfare-to-Work participants. In addition, Labor will target development of whole family programs to help participants, primarily fathers, focus on their children and help the custodial parent access community resources to achieve self-sufficiency. The strategies also involved program evaluation to assess the effectiveness of Welfare-to-Work initiatives, including those undertaken by both formula and competitive grantees. A set of recently issued evaluation reports tell us that program implementation has advanced, but that participation remains low and the projected scale of the programs continues to be modest.<sup>14</sup>

Labor's report does not explicitly state why performance goals have been revised; however, it appears that Labor is seeking increasingly higher levels of performance for this goal, allowing the agency to demonstrate progress toward achieving its overall strategic goals. Labor has raised the target to 67 percent of participants who will be employed for 2 consecutive quarters after placement, with an average earnings increase of 7 percent.

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## Comparison of Labor's Fiscal Year 2000 Performance Report and Fiscal Year 2002 Performance Plan With the Prior Year Report and Plan for Selected Key Outcomes

For the selected key outcomes, this section describes major improvements or remaining weaknesses in Labor's (1) fiscal year 2000 performance report in comparison with its fiscal year 1999 report and (2) fiscal year 2002 performance plan in comparison with its fiscal year 2001 plan. This section also discusses how the agency's fiscal year 2000 report and fiscal year 2002 plan address concerns raised by GAO and OIG.

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<sup>14</sup> *Early Implementation of the Welfare-to-Work Grant Program: Findings From Exploratory Site Visits and Review of Program Plans*, Department of Health and Human Services (February 2000); and *Further Progress, Persistent Constraints: Findings From a Second Survey of the Welfare-to-Work Grants Program*, Department of Health and Human Services (May 2000).

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## Comparison of Labor's Performance Report for Fiscal Years 1999 and 2000

Labor made improvements to its fiscal year 2000 performance report from its fiscal year 1999 performance report. In our review of Labor's fiscal year 1999 report, we identified as a weakness the lack of information the agency presented concerning the quality or credibility of performance data relative to the performance goals. Labor's fiscal year 2000 report greatly improves its presentation of such information by identifying performance data challenges, steps it will take to verify and validate its performance data, and the implications of data limitations for assessing performance. For example, the agency reported that it completed an audit of the validity and reliability of its workplace injury and illness data and found the data to be reasonable and accurate. The agency will improve the audit program by, among other things, maintaining a standard sampling universe so that trends in the universe estimates can be tracked. As previously noted, Labor also recognized that Welfare-to-Work data may be subject to error due to misinterpretation of reporting guidance by grantees, resulting in overestimates of increased earnings rates for participants. Labor describes a major effort it will undertake to gauge the extent of inaccurate reporting, correct these reports, and improve the reporting instructions and format.

In our previous review, we observed that the fiscal year report did not directly or comprehensively address its progress in resolving major management challenges identified by GAO and Labor's OIG. The fiscal year 2000 report makes significant improvement by including a summary of the most serious management and performance challenges identified by OIG, as required by the Reports Consolidation Act of 2000, and discussing strategies Labor will use and progress it has made in resolving these challenges.

Labor more clearly identified when it reported on goals that were assessed using older data and target levels when current fiscal year 2000 data were not available. Specifically, last year's report listed goals in the appendix as met or not met, but did not clearly indicate on which fiscal year goal and target level the assessment was based. This year's report clearly indicates the year of the data and target level on which the goal was assessed. In addition, Labor's fiscal year 2000 report also followed OMB guidance calling for agencies to identify the goals for which complete data are not available, indicate when the data will be available, include performance information from the preceding year, and include the actual information in the subsequent report. However, tracking progress is still difficult because the fiscal year 2000 report does not always list the fiscal year 2000 target level when the agency had assessed a goal using older data and target levels.

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One concern about Labor's fiscal year 2000 report is that Labor added the category "substantially achieved" to its assessment categories "met" and "not met" when at least 80 percent or more of the targeted goal was attained. Although OMB allows agencies to use a third category to assess goals when the difference between the target level and actual performance is slight, Labor should be aware of the potential risk in using the category substantially achieved. Relying on this indicator could mask an understanding of actual progress in achieving goals and affect an agency's vigilance in its efforts to achieve progress. It could give an impression of successful performance across all goals or on a specific goal when actual performance might be as much as 20 percent below the target. OMB guidance calls for agencies to compare actual performance with the projected performance level set out in the plan and explain why the goal was not met. We found that, for most of the goals we reviewed that Labor assessed as substantially achieved, the agency was very close to meeting the goal, reported its actual performance against planned performance, and explained the shortfall.

Another concern with this year's report regards Labor's presentation of its future plans. Last year's performance report included a section entitled "Goal Assessment and Future Plans" that highlighted, among other things, strategies that would be used to achieve a goal in the future. This year's fiscal year 2000 report eliminated information on future plans, calling the section "Goal Assessment." Labor officials told us that, due to the transition in the administration and uncertainty about the agency's future direction and goals, they determined that any discussion of future plans would be premature and could be subject to change. We understand Labor's concern; however, we are hopeful that future performance reports will return to the format included in the fiscal year 1999 report because it provides more linkage between the performance report and subsequent performance plans and reports.

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### Comparison of Performance Plans for Fiscal Years 2001 and 2002

We found a limited number of substantive changes between Labor's fiscal years 2001 and 2002 performance plans. Generally, the fiscal year 2002 plan continues to provide a clear progression toward intended outcomes. For example, for several goals aimed at reducing injuries, illnesses, and fatalities, only the numeric targets have changed (from 11 percent to 15 percent from the baseline in selected industries and occupations) and not the goals themselves, allowing Labor to demonstrate progress toward achieving its outcomes. In addition, the fiscal year 2002 plan now links budget authority and outlays to both the strategic and outcome goals. This

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will provide a basis for assessing how the resources are contributing to accomplishing the expected levels of performance.

In our previous review of Labor's fiscal year 2001 performance plan, we observed that Labor did not adequately discuss the steps it will take to verify and validate performance data, as well as the implications of data limitations for assessing performance. Labor significantly improved its fiscal year 2002 performance plan by providing more detailed information and by expanding its discussion to include data systems that were not cited in the 2001 plan. However, the plan still lacks sufficient information on how Labor will address the implications of certain data limitations. For example, employment and training programs, such as WIA, are increasingly relying on UI data to measure outcomes. However, these data suffer from significant time lags, are not readily shared from state to state, and do not cover all employment categories. While the 2002 plan cites the anticipated completion of a data system to track performance for key employment and training programs, it does not address the implications of these UI data limitations for assessing program performance or how these factors will be mitigated.

The fiscal year 2002 performance plan could be improved by revising its information technology goal. Because the goal is broad and not directly measurable, it must include performance indicators that are specific, measurable, and related to the goal, according to GPRA, OMB Circular A-11, and related guidance. In addition, goals and indicators should be objective and quantifiable or defined in a way that allows an accurate determination to be made of how actual performance compares to the goal. Labor developed one broad performance goal for its outcome of improving organizational performance and communication through information technology: Improve automated access to administrative and program systems, services, and information. The goal uses eight indicators to measure and assess progress toward the goal. But these indicators are not always specific enough to be able to assess the agency's plans or progress toward achieving its goal and do not allow for consistently accurate measurement of performance. For example, it is not clear that replacing the Remote Terminal Network (RTN)—one of the indicators—will help achieve the goal and improve access to information technology. Furthermore, it is not clear how the indicators will be aggregated to determine whether the goal has been achieved, which is especially important when the broader goal is not quantifiable or directly measurable.

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## Labor's Efforts to Address Its Major Management Challenges Identified by GAO

This section discusses Labor's efforts to address major management challenges identified by GAO. This includes two governmentwide, high-risk areas—strategic human capital management and information security—and three major management challenges facing Labor that were identified in our performance and accountability series.

Regarding strategic human capital management, we found that Labor's fiscal year 2000 performance plan had goals and measures related to strategic human capital management, and the fiscal year 2000 performance report explained its progress in achieving these goals. Labor's 2002 performance plan includes a goal to measure key aspects of strategic human capital management that had not been addressed in the 2000 report or plan. Furthermore, the report has helpfully divided management goals into human capital, financial, and information technology, making it easier to track progress from year to year and more clearly focus efforts on these areas.

However, the fiscal year 2002 performance goal that addresses key aspects of strategic human capital management—similar to Labor's information technology goal—is overly broad and vague and uses performance indicators that do not sufficiently measure the goal. The goal—The right people in the right place at the right time to carry out the mission of the department—encompasses a wide range of human capital issues, from recruitment and organizational alignment to skills training and workforce diversity. Given a goal so broad, care should be taken to develop indicators that can gauge whether the goal has been achieved. When goals are not measurable, OMB guidance states that the performance indicators should set out specific, measurable values related to the goal that will help determine goal achievement. Unfortunately, the number and nature of indicators that Labor proposes do not appear to provide all the data needed to fully assess goal achievement. Not all aspects of the goal are adequately addressed through the indicators Labor proposes, and those that are proposed are not always clearly linked to the goal and do not allow for accurate assessment of performance. For example, several indicators rely on opinion surveys to measure performance, which may involve subjective considerations or judgments. In addition, the indicators do not capture agency strategies that will be used to achieve the goal. For example, although the 2002 performance plan describes agency efforts to identify future workforce needs—such as skill gaps—and ensure the development and skills of its workers, the indicators do not reflect these efforts. Finally, it is not clear how the indicators will be aggregated to determine whether the goal has been met.

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With respect to information security, we found that, while Labor's fiscal year 2000 performance plan did not have goals and measures related to information security, it described the agency's efforts to address this challenge, and the fiscal year 2000 report described its progress on these efforts. The agency identified information security as a long-term management initiative in its fiscal year 2002 performance plan rather than a specific goal. The plan states that Labor has developed (1) an information security program that is being integrated into programs throughout the agency, (2) security plans for all Labor's agencies, and (3) a security awareness program to train all employees.

In addition to these governmentwide management challenges, we identified three major management challenges facing Labor:

- increasing the employment and earnings of America's workforce,
- protecting the benefits of workers, and
- fostering safe and healthy workplaces.

These challenges are generally similar to the key outcomes selected for Labor. Therefore, goals and measures included in the fiscal year 2000 report and 2002 plan that address these challenges are discussed under the outcomes.

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## Conclusions

In general, Labor appears to be making progress in achieving the key outcomes. Labor has increased its target levels for some goals for fiscal year 2002 and generally provided sound strategies for achieving these new targets. We continue to have concerns about some of the measures Labor uses. We are most concerned about the way in which Labor addresses two of its management challenges—information technology and strategic human capital management. Given the breadth of these goals, goal achievement cannot be fully assessed with the performance indicators Labor proposes. Without better indicators that more accurately and comprehensively measure performance toward the goal, Labor will be unable to fully assess its progress in these areas.

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## Recommendations

To ensure that progress toward performance goals can be accurately and fully assessed, and that performance indicators effectively measure the goal, we recommend that the Secretary of Labor

- revise its performance goals regarding strategic human capital management and information technology so that the performance indicators effectively capture efforts to achieve the goal.

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## Scope and Methodology

As agreed, our evaluation was generally based on the requirements of GPRA, the Reports Consolidation Act of 2000, guidance to agencies from OMB for developing performance plans and reports (OMB Circular A-11, Part 2), previous reports and evaluations by us and others, our knowledge of Labor's operations and programs, GAO identification of best practices concerning performance planning and reporting, and our observations on Labor's other GPRA-related efforts. We also discussed our review with Labor agency officials in the Office of the Assistant Secretary for Administration and Management. The agency outcomes that were used as the basis for our review were identified by the Ranking Minority Member of the Senate Committee on Governmental Affairs as important mission areas for the agency and generally reflect the outcomes for all of Labor's programs or activities. For these outcomes, we identified goals that we believed to be clearly linked to the outcomes. The major management challenges confronting Labor, including the governmentwide, high-risk areas of strategic human capital management and information security, were identified by GAO in our January 2001 performance and accountability series and high-risk update and were identified by Labor's OIG in December 2000. We did not independently verify the information contained in the performance report and plan, although we did draw from other GAO work in assessing the validity, reliability, and timeliness of Labor's performance data. We conducted our review from April through June 2001 in accordance with generally accepted government auditing standards.

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## Agency Comments

We provided a draft of this report to Labor for its review and comment. Labor's comments are in appendix II. Labor generally agreed with our findings and was pleased with our acknowledgement of its efforts to improve explanations about data quality and major management challenges. The agency also agreed with our recommendation to revise the performance indicators used to measure its progress toward achieving its goals on information technology and strategic human capital management. With regard to the issue we raised about using a third category—substantially achieved—Labor maintained that it will continue to use this category, but only when performance is very close to achieving the goal. We incorporated Labor's comments and clarifications where appropriate.

Labor commented on our observation that aggregating goals for individual elements regarding PWBA's investigations of health and welfare plans into a single goal could make it difficult to assess performance. Labor plans to examine this observation further, but is concerned that establishing

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multiple, separate indicators would result in the selection of cases most likely to achieve the best results rather than selection of the most significant cases. Labor should be aware, however, that in using the current, aggregate goal, case selection may similarly result in the selection of cases from a range of categories for their potential to achieve the overall goal. Labor also commented that revising the goal to increase the number of workers covered by a pension plan to measure the percentage of the workforce, as we suggested, could distort the measure's reliability. We disagree that revising the goal may hamper reliability, however, we are pleased that Labor said it plans to explore ways to improve the measure and evaluate which strategies most effectively expand coverage levels. Finally, in response to our concern that Labor lacked sufficient information to address certain data limitations, particularly the use of UI data, Labor provided helpful information that illuminates its strategies. We encourage Labor to incorporate this information in future plans.

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As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to appropriate congressional committees; the Secretary of Labor; and the Director, Office of Management and Budget. Copies will also be made available to others on request.

If you or your staff have any questions, please call me at (202) 512-7215 or Dianne Blank at (202) 512-5654. Key contributors to this report were Ronni Schwartz, Abbey Frank, Mikki Holmes, and Bonnie McEwan.

Sincerely yours,



Sigurd R. Nilsen, Director  
Education, Workforce and Income Security Issues

# Appendix I: Observations on the Department of Labor's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting Labor, which include the governmentwide, high-risk areas of strategic human capital management and information security. The first column lists the management challenges that GAO and Labor's OIG have identified. The second column discusses what progress, as discussed in its fiscal year 2000 performance report, Labor made in resolving its challenges. The third column discusses the extent to which Labor's fiscal year 2002 performance plan includes performance goals and measures to address the challenges that GAO and Labor's OIG identified. We found that Labor's fiscal year 2000 report discussed its progress in resolving many of these challenges. Of the agency's 15 major management challenges, its performance plan had (1) goals and measures that were directly related to 9 of the challenges, (2) goals and measures that were indirectly applicable to 1 of the challenges, and (3) no goals and measures related to 5 of the challenges, but discussed strategies to address them or stated that these challenges, if not already resolved, will be resolved by the end of fiscal year 2001.

**Table 3: Major Management Challenges**

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<p><b>GAO-designated governmentwide high risk</b></p>		
<p><b>Strategic human capital management:</b> GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.</p>	<p>Labor reported that it exceeded its human capital goals to increase participation in "family-friendly" programs, and increase the use of career assistance and continuous learning programs. It did not achieve its goals to reduce the rate of lost production days due to accidents and injuries, and reduce employees' injury and illness rate.</p>	<p>Labor includes goals related to strategic human capital management. One goal addresses key human capital issues but is overly broad and uses performance indicators that do not sufficiently measure the goal.</p>
<p><b>Information Security:</b> Our January 2001 high-risk series update noted the agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption.</p>	<p>In its fiscal year 2000 performance report, Labor reported that it has taken steps to strengthen its systems security. Specifically, it has (1) issued a security handbook to provide direction and guidance in completing system security plans and risk assessments, (2) worked with the agencies to strengthen security training and guidance, (3) issued a System Development Life Cycle (SDLC) manual to control the software change</p>	<p>None. However, the plan summarizes actions that Labor has taken to enhance its information security program.</p> <p>The Chief Information Officers Council in coordination with the National Institute of Standards and Technology and the Office of Management and Budget (OMB) has developed a framework for agencies to use in determining the current status of information system</p>

**Appendix I: Observations on the Department of Labor's Efforts to Address Its Major Management Challenges**

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
	<p>control process, and (4) established a multiyear strategy and program for its continuity of operations.</p> <p>In Labor's fiscal year 2000 financial report, the OIG reported that Labor's systems environment was exposed to various weaknesses in management's procedures for assessing risk, implementing an effective security framework, controlling software changes, maintaining and testing its continuity of operations plans, and ensuring effective access controls. While Labor's performance report addresses actions to improve most of these security areas, the report does not include specific actions to correct the access control problems reported by the OIG.</p>	<p>controls and, where necessary, to establish a target for improvement. Labor could use this framework as a means of measuring progress in improving its information security program.</p>
<b>GAO-designated major management challenge</b>		
<b>Increasing the employment and earnings of America's workforce</b>	Discussed under outcomes in report.	Discussed under outcomes in report.
<b>Protecting the benefits of workers</b>	Discussed under outcomes in report.	Discussed under outcomes in report.
<b>Fostering safe and healthy workplaces</b>	Discussed under outcomes in report.	Discussed under outcomes in report.
<b>OIG-designated major management challenge</b>		
<b>Financial Management:</b>		
<p>Labor has not yet brought its Wage and Hour Back Wage System and its Wage and Hour Civil Monetary Penalties System into compliance with the Federal Financial Management Improvement Act (FFMIA) requirements.</p>	<p>The Office of the Chief Financial Officer (OCFO) has worked closely with several program agencies to resolve outstanding compliance issues. Labor states that all but two of its FFMIA issues have been resolved. They expect to resolve those this fiscal year.</p>	<p>Labor included a goal in the FY 2002 plan that all Labor systems meet the standards set in the FFMIA and the Government Management Reform Act. Similar goals were included in Labor's FY 1999, 2000 and 2001 plans, and as a result, Labor is continuing its focus on this area.</p>
<p>Labor has unreconciled cash differences between the DOLAR\$ general ledger and the Treasury.</p>	<p>Labor recognizes that cash reconciliations are necessary and should be performed at least on a monthly basis. OCFO created a task force dedicated to addressing cash reconciliations throughout Labor. Its primary responsibility is to ensure that all the agencies are reconciling their Funds with Treasury balances. The task force will also ensure that documented procedures exist for the performance of reconciliations and the preparation of supporting documentation.</p>	<p>Labor did not include any goals or measures addressing this challenge in the plan because it expects the problem to be corrected by the end of FY 2001.</p>

**Appendix I: Observations on the Department of Labor's Efforts to Address Its Major Management Challenges**

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<p><b>Implementation of the Workforce Investment Act (WIA):</b>            Labor needs to better monitor the implementation of the Workforce Investment Act. Specifically, the OIG is concerned about: the use of individual training accounts, establishment of eligibility criteria for training providers, and the implementation of adequate systems to allocate costs among the One-Stop partner programs and agencies. This is of particular concern because it is becoming increasingly difficult to discern to which program the participants belong and who should be paying the costs of the services.</p>	<p>Labor has addressed many of the concerns regarding the implementation of WIA, especially those relating to individual training accounts and eligibility for training providers, through the statute and final regulations. Also, the Employment and Training Administration (ETA) is supporting an increased technical assistance program to facilitate information exchange among practitioners. It developed a Technical Assistance Workbook for state and local managers that includes guidance on individual training accounts and eligible training providers, and offers training courses on these topics in all ETA regions.</p> <p>With regard to cost allocation and resource sharing for One-Stop partners, Labor published draft guidance in June 2000 addressing these issues and expects to publish revised final guidance in Spring 2001.<sup>1</sup> Labor is also acting to address the allocation of administrative costs in the One-Stop environment by developing a new definition of administrative costs, publishing the definition as part of WIA final regulations, and holding training sessions nationwide on the implementation of the new administrative cost allocation procedures.</p>	<p>Labor states that it has already addressed this management challenge and, therefore, did not include any goals or measures relating to this challenge in its FY 2002 performance plan.</p>
<p><b>Effectiveness of the Welfare-to-Work Initiative:</b>            Labor may not be able to properly gauge the effectiveness of its Welfare-to-Work Initiative because there are questions about the consistency and quality of the performance data reported by states and other grantees.</p>	<p>Labor has launched a major technical assistance effort to determine the degree to which grantees may be reporting incorrectly, to correct any inaccurate reports, and to resolve grantee's reporting challenges.</p>	<p>Labor does not have goals or measures related to this challenge in its plan. However, the Welfare-to-Work program is part of Labor's data validity project that is designed to provide accurate and reliable program outcome data for performance goals. In FY 2002, Labor plans to continue efforts to address four issues: the availability of data, validation of data, timeliness of reporting, and the</p>

<sup>1</sup> Labor published final guidance on May 31, 2001.

**Appendix I: Observations on the Department of Labor's Efforts to Address Its Major Management Challenges**

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
The reporting requirements for the Welfare-to-Work program are in flux.	Labor has revised the Welfare-to-Work reporting instructions and formats to incorporate changes from the Welfare-to-Work amendments of 1999 and to clarify reporting instructions.	use of data for managing for results.  Labor does not include any measures or goals related to the reporting requirements because the final reporting requirements were issued on April 1, 2001.
<b>Quality of Program and Cost Data:</b> Labor is limited in its ability to access or control the quality of program results data used to determine the attainment of its strategic plan goals.	A number of Labor initiatives to improve performance measurement are in progress and additional efforts are planned for FY 2002. During FY 2001, Labor is planning a series of workshops and seminars on GPRA implementation that will focus on best practices and issues related to performance measurement.	Labor does not have any goals or measures related to this challenge in the FY 2002 performance plan. The plan discusses the broad need for improving performance measurement and performance based management. In FY 2002, Labor plans to increase the use of program evaluations to meet a variety of performance management objectives, including supplementing information available through routinely collected performance information, reviewing the effectiveness of strategies in meeting key performance goals, and analyzing the quality of data sources, indicators and reported program results.
Labor is limited in its ability to access Unemployment Insurance records and Social Security Administration wage records of individual program participants that are used for evaluating program effectiveness and validating performance data in the employment and training area.	Labor asserts that the unavailability of UI wage records pertains mostly to the OIG's office. ETA has access to the data for program evaluation purposes, but a number of states require the OIG's office to obtain a subpoena to access their UI records. With regard to SSA data, routine access to IRS wage data through SSA requires congressional action to amend the IRS Code (see protection of workers benefits section).	Labor does not address this challenge in the FY 2002 plan because Labor cannot solve this issue through its operations.
Labor is developing a managerial cost-accounting system to accumulate the specific costs for each program and link them to the program's results. Two of the largest departmental agencies, ETA and ESA, have not yet agreed to participate. In order to gain the full benefit of the system, all agencies must be included.	The Office of the Chief Financial Officer (OCFO) began its managerial cost accounting initiative during FY 2000. They chose to develop pilot programs in each program agency area. To date, 9 out of the 17 program areas have participated to some degree in pilot projects. While ETA and ESA were not among the early pilots, they are currently participating and have participated all along through involvement in briefings and meetings on developing the cost-accounting system. Also, all agencies provided feedback as	Labor does not discuss this challenge in the FY 2002 plan because ETA and ESA are now participating in the managerial cost-accounting system.

**Appendix I: Observations on the Department of Labor's Efforts to Address Its Major Management Challenges**

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<p><b>Security of Pension Assets:</b> Labor needs to ensure that pension assets are secure and protected from organized crime, corrupt pension plan officials, and individuals who influence the investment activity of pension assets.</p>	<p>information on progress became available.</p> <p>Labor is conducting criminal investigations to detect violations that affect employee benefit plans and to assist United States Attorneys and state prosecuting attorneys in their prosecution of such cases. In addition, the Pension and Welfare Benefits Administration is becoming more proactive in the detection and prevention of criminal behavior through aggressive outreach and education campaigns.</p>	<p>The FY 2002 plan includes a goal directly addressing this challenge. Labor plans to increase the number of closed fiduciary investigations of employee pension plans where assets were restored, prohibited transactions are corrected, participant benefits are recovered, or plan assets are protected from mismanagement and risk of future loss is reduced. Similar goals were included in the performance plans for FY 1999, 2000, and 2001. Labor met the goals for FY 1999 and 2000.</p>
<p><b>Protection of Worker Benefit Funds:</b> The Unemployment Insurance program is vulnerable due to the prevalence of employer schemes, internal embezzlement schemes, fraudulent interstate claims, and fraudulent collection of UI benefits by illegal aliens through the use of counterfeit or unissued social security numbers. Also, systemic weaknesses pose problems for the UI program, such as misclassification of workers as independent contractors, employers who fail to report all wages paid, or employers who misrepresent their claims experience.</p>	<p>Labor is sensitive to issues of fraud within the UI program and tries to continually stay abreast of fraud schemes and work with states to prevent them. Labor trains state employees in fraud detection to improve internal program controls and improve enforcement. Labor also sponsors special conferences that highlight new enforcement techniques.</p> <p>In addition, ETA and OIG are negotiating an agreement with the IRS to provide State Employment Security Agencies with access to the IRS Miscellaneous Income data (form 1099) so they can better identify employers who misclassify workers.</p>	<p>Labor recognizes that all major benefit programs are subject to some degree of fraud and has initiated a number of actions to protect the UI and FECA programs. One measure broadly captures Labor's efforts in this area: that unemployed workers receive fair UI benefit eligibility determinations and timely benefit payments. Although this does not directly address protection of worker benefits, it could reduce the rate of program fraud by making fair and accurate determinations.</p>
<p>Labor should improve the cost efficiency of the Federal Employees' Compensation Act (FECA) program. Particularly, it should work to procure access to IRS wage data through the Social Security Administration to identify individuals who fraudulently conceal earnings.</p>	<p>Labor recognizes that all programs are subject to some degree of fraud that cannot be prevented. Labor believes that the OIG's audit work demonstrates that the internal controls instituted by the FECA program are generally effective and reasonable. Labor agrees that routine access to IRS wage data through the SSA to identify and remove claimants who fraudulently conceal earnings would be beneficial. Currently, the Privacy Act prohibits SSA from disclosing information without the claimant's authorization, and ESA cannot gain access to SSA or IRS wage information without statutory</p>	<p>Labor included three performance goals in the FY 2002 plan aimed at improving the cost-effectiveness and efficiency of the FECA program. Labor plans to return federal employees to work as early as possible, produce cost savings through Periodic Roll Management, and reduce the overall average medical service cost per case.</p>

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Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<p>The Black Lung Trust Fund is in debt. As of FY 2000, the fund was \$6.7 billion in debt to the U.S. Treasury.</p>	<p>authorization. Labor agrees with the OIG's recommendation that the IRS Code should be amended to allow this access.</p> <p>Labor is aware of this challenge and worked closely with Treasury and OMB on legislation that would resolve this issue. The Secretary of Labor submitted the legislation to the Congress, but the 106th Congress did not take it up. Labor will review the need to obtain the Administration's support for reintroducing the legislation again this year.</p>	<p>The FY 2002 plan does not include a goal on this issue: only a legislative remedy can correct the problem, which Labor is pursuing.</p>
<p><b>Stewardship over Labor's Information Technology Resources:</b> As mandated by P.L. 106-398, Labor needs to ensure that all of its major systems are secure against threats and loss of assets.</p>	<p>Labor recognizes that employee awareness and strong integration of security practices into the lines of business are essential to protect vital information systems. The performance report discusses numerous projects that have either been completed or are in their final stages of completion aimed at addressing these issues.</p>	<p>Although no specific goal has been established to address the security of Labor's systems, it has initiated an enhanced information security program that meets the intent of P.L. 106-398. All agencies have developed security program plans that establish milestones and detail the tasks necessary to strengthen cyber security within the program areas. Also, see discussion on information security.</p>
<p>Labor needs to ensure that the new agency-wide IT system architecture upgrade is implemented in a careful and well thought out process.</p>	<p>Labor plans to develop expanded business plans, data applications, and technology baselines.</p>	<p>Labor has a goal directly addressing this challenge, which seeks to improve organizational performance and communication through the effective deployment of IT resources.</p>
<p><b>The Integrity of Benefit Programs Must be Ensured in an Electronic Environment:</b> As State Employment Security Agencies (SESAs) that administer the UI and Job Service Programs at the state level become more automated, Labor needs to ensure that security is not compromised as the programs become more efficient and effective.</p>	<p>Labor acknowledges that security should not be compromised as a result of increased automation and has instituted a number of initiatives aimed at ensuring program integrity. Beginning in fiscal year 1999, ETA requested and obtained additional funding from the Congress for integrity activities, including \$20 million that fiscal year and \$35 million for fiscal years 2000 and 2001. The money has been used for detecting schemes to defraud the UI system, regardless of the methods used to file claims.</p>	<p>Labor acknowledges that security should not be compromised as the UI and Jobs Service Programs become more automated. It responds to this challenge indirectly through the goal of having unemployed workers receive fair UI benefit eligibility determinations and timely benefit payments. Labor suggests that improving benefit determinations will assist the agency with catching fraudulent claims, thereby protecting the integrity of the program. The agency does not directly address increased security for these programs but it would fall under Labor's overall plan to increase information security.</p>

**Appendix I: Observations on the Department of Labor's Efforts to Address Its Major Management Challenges**

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<p><b>Targeting of Dislocated Workers Program:</b>            Labor needs to better monitor programs aimed at aiding dislocated workers to ensure that the funds allocated for this purpose are actually being used to assist the people whom the program is intended to serve.</p>	<p>ETA plans to increase dislocated worker program technical assistance and monitoring activities and is developing a technical assistance guide to ensure that State and local programs adequately document participants' eligibility. ETA is also reviewing the current formula used for fund allocation and may consider altering the formula. Labor has hired a contractor to design and implement a data validation program to ensure that the data collected for the dislocated worker program are accurate. Under WIA, Labor will be using UI wage record data that will also help reduce data errors identified in the OIG's audit.</p>	<p>Labor includes goals and measures directly addressing the dislocated workers program. Labor is also giving more attention to the quality of performance data as discussed in the FY 2002 plan, which it suggests will help ensure that funds are being used to assist the people for whom the program is intended.</p>
<p><b>Challenges of Rapid Expansion of the Bureau of International Labor Affairs:</b>            The Bureau of International Labor Affairs (ILAB), the bureau responsible for spotlighting significant international child labor issues, has grown sevenfold over the past 2 fiscal years. The exponential growth requires a more formal structure within ILAB to monitor the appropriate expenditure of federal funds.</p>	<p>Labor has resolved and closed all of the recommendations that OIG made for the Child Labor Program. ILAB has also addressed all the identified management issues and the proposed recommendations.</p> <p>In addition, ILAB is continuing to refine its procedures and management systems to ensure that the necessary controls are in place to support the current program level and ensure fiscal accountability.</p>	<p>Labor does not address this challenge in its FY 2002 plan because it has already been resolved.</p>

Source: Prepared by GAO from Labor's Annual Report, Fiscal Year 2000.

# Appendix II: Comments from the Department of Labor

**U.S. Department of Labor**

Office of the Assistant Secretary  
for Administration and Management  
Washington, D.C. 20210



JUN 07 2001

Ms. Dianne Blank  
Assistant Director, Education, Workforce,  
and Income Security Issues  
Health, Education, and Human  
Services Division  
U.S. General Accounting Office  
Washington, DC 20548

Dear Ms. Blank:

We appreciate the opportunity to comment on your draft report, "*Status of Achieving Key Outcomes and In Addressing Major Management Challenges*." Following the pattern of last year's General Accounting Office (GAO) report on the Department's Government Performance and Results Act (GPRA) documents, the draft includes a balance of positive findings and constructive observations to assist the Department to further improve our plans and reports for the future. We appreciate GAO's recognition of the Department's explanations about data quality and major management challenges in the FY 2000 performance report and more detailed strategies in the FY 2002 performance plan, since these have been areas of special emphasis in the Department's efforts to strengthen its GPRA documents.

This letter summarizes our response to your recommendations and to several comments that have applicability throughout our report. The enclosure addresses issues that are specific to individual goals or programs.

As we understand the findings and recommendations, GAO is concerned that the indicators developed for the FY 2002 human capital management and information goals do not sufficiently measure the Department's progress towards achieving these goals. We acknowledge there is room for improvement in these two areas. The indicators established for the human capital management goal were intended to serve as interim measures to be reassessed and revised, as appropriate, upon the completion of the Department's workforce planning analysis. Recent guidance from OMB will require the Department to accelerate segments of the workforce planning analysis, enabling DOL to adjust the indicators to address the identified human capital management issues when the Revised Final FY 2002 Annual Performance Plan is prepared in the Fall. With regard to the information technology goal, the Department will also improve the indicators to measure more clearly the stated goal in the Revised Final FY 2002 plan.

Among the changes between the Department's FY 1999 and FY 2000 Annual Performance Reports, GAO expressed concern about DOL's introduction of a new assessment category – "substantially achieved" – when at least 80 percent or more of the goal was attained. While the GAO draft report is clear that the Department used this category only where performance was

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**Appendix II: Comments from the Department  
of Labor**

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very close to achieving the goal, GAO noted that the use of this category could be used to mask an understanding of actual progress in achieving goals or to create an unsubstantiated impression of successful performance across all goals. The draft report also recognizes OMB's acceptance of this classification and did not include a formal recommendation to discontinue using the "substantially achieved" category.

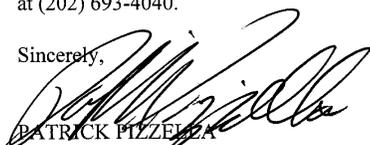
The Department adopted the category "substantially achieved" for the specific purpose of providing a clearer, more informative presentation for the reader, since the category "not met" encompassed a range of performance too broad to be meaningful. For example, in the Department's FY 1999 report, goals that were 99 percent achieved were classified as "not met" along with goals where performance was well below the goal. Thus, the Department views the third classification of "substantially achieved" as an important and distinct category. To avoid any potential of obscuring our true performance, the Department has no plans for future reports to aggregate the presentation of this results category with either goals that were fully achieved or goals that were not met.

A second change between the FY 1999 and FY 2000 Annual Performance Reports of concern to GAO was the Department's presentation of future plans. The report notes that the Department did not include this material since the FY 2000 report was prepared during the early stages of the transition between Administrations, and a commitment to specific changes in plans and strategies would have been inappropriate. The Department intends to resume the use of the "Goal Assessment and Future Plans" section in the FY 2001 performance report.

GAO's report mentions two other items with applications to multiple goals or programs – i.e., the clarity of the performance report's presentations when complete FY 2000 data were unavailable and the linkage of some strategies to the accomplishment of goals in the FY 2002 plan. Your observations on these topics in last year's report were instrumental in the improvements cited in the current draft GAO report. We will use the additional observations to enhance further our presentations of data and strategies in our next GPRA products.

Finally, your staff should be commended on their professionalism and the constructive tone maintained throughout this review, which we recognize was completed under tight time constraints. We appreciate your efforts in working with us as partners to continue to improve the Department's implementation of the Government Performance and Results Act. If you have any questions concerning this response, please contact Deputy Assistant Secretary James McMullen at (202) 693-4040.

Sincerely,



PATRICK PIZZELLA  
Assistant Secretary for Administration  
and Management

Enclosure

Enclosure

Comments on Specific GAO Observations

<u>Page</u>	<u>Comments</u>
3 and 13	<p><u>GAO Observation:</u> Labor changed one of its goals for the Pension and Welfare Benefits Administration (PWBA) in a way that will make it difficult to assess whether the goal is actually being met.</p> <p><u>Response:</u> The two goals which track the results of PWBA's investigations of pension and health and welfare plans seek an aggregate increase in the total percentage of cases closed with positive results, reflecting increases in any of the following categories of results: (1) assets are restored; (2) prohibited transactions are corrected; (3) participant benefits are recovered; or (4) plan assets are protected from mismanagement and risk of future loss is reduced. As GAO notes, prior to FY 2002, the goals separately targeted achievements in the first two categories only.</p> <p>The third and fourth categories of positive results from plan investigations were added to the FY 2002 goals to more fully recognize the achievements of plan investigations for the beneficiaries. Increasing significant positive outcomes attributable to investigations is the important result which should be reflected in PWBA's goals. However, while we will examine this observation further, we are concerned that establishing specific targets/indicators for each type of result could detract from rather than improve program management, as PWBA managers would be invited to select cases for their potential to achieve specific types of results under each category rather than selecting the most significant cases for investigation.</p>
3 and 15	<p><u>GAO Observation:</u> Labor continues a goal for protecting workers' benefits that GAO previously criticized – increasing by 1 percent the number of workers who are covered by a pension plan sponsored by their employer.</p> <p><u>Response:</u> The Department recognizes that the number of employees covered by employer sponsored pension plans is affected not only by PWBA's education and outreach campaigns but also by a number of factors outside of DOL's control. We believe that a valid relationship does exist between PWBA's efforts and the outcome measured. PWBA's enforcement, regulatory and outreach programs enhance participants' confidence in the security of the private pension system thereby influencing the aggregate levels of coverage.</p> <p>The Department does recognize that an effort to provide some program evaluation measures might be useful in better measuring the relationship between the various programs that PWBA conducts and the expansion of coverage levels. However,</p>

revising the goal to measure the percentage of the workforce rather than the number of employees covered by pension plans would introduce an additional variable that could potentially distort the reliability of the measure. Irrespective of which measure is used to demonstrate goal achievement, the Department remains concerned that the likely evaluation costs to demonstrate causality would probably exceed the cost of the programs being measured. Notwithstanding, we continue to strive for improved measures and will continue to explore means for demonstrating more definitive causality via program evaluation efforts.

PWBA has maintained the 1 percent goal because the increase in the number of pension-covered workers is the most directly relevant measure of the success of the agency's programs and can be readily measured in a reliable, objective and cost-effective manner. The agency will continue to explore alternative means of evaluating the results of education and outreach measures.

16 GAO Observation: GAO made several recommendations to the Pension Benefit Guarantee Corporation (PBGC) to improve contract management, but the performance plan does not reflect how these strategies will be used to improve performance in these areas.

Response: We recognize that the strategies relating to GAO's recommendations were not included in the presentation in the Department's performance plan, primarily because the PBGC section in the DOL plan is limited to one goal and the implementation of GAO's recommendations was not considered a key strategy in achieving this goal.

Since GAO made its recommendations, PBGC has centralized procurement policy guidance for contract monitoring staff, continued to follow its contract planning process, used the Internet to attract additional contract bidders, and announced the competitive procurement for 10 field benefit administration offices. The field benefit administration contracts will reflect PBGC's major processing and customer service performance standards, and performance information for these offices is being tracked by PBGC. In addition, the National Academy of Public Administration completed a workforce planning review for PBGC. The Academy's recommendations will assist PBGC in its strategic workforce planning.

4 and 20 GAO Observation: The Department's performance plan lacks sufficient information on how it will address certain data limitations. For example, employment and training programs, such as the Workforce Investment Act (WIA), are increasingly relying on Unemployment Insurance (UI) data to measure outcomes. However, these data suffer from significant time lags, are not readily shared from State to State, and do not cover all employment categories.

Response: It is important to recognize that all data sources have limitations and

drawbacks, and the Department and our State and local partners have worked to address a number of the limitations with the UI data. Together, we agreed to provide an option for States to use supplemental data when reporting employment or wages in WIA Title IB for individuals working in jobs not reported in UI wage records and when reporting for labor exchange measures. The Wage Record Interchange System has also been developed to facilitate the sharing of wage records among the States.

The GAO draft report does not mention the strengths of UI wage records compared to the previous data source, follow-up surveys, which was the key factor in our decision to change sources. The advantages of the wage records include increased accuracy and less bias, cost and time in obtaining the data.

More important, however, is the fact that the performance measurements are based on requirements contained in the Workforce Investment Act, and that UI wage record data are used both to establish the goals and measure the outcomes in accordance with Congressional guidelines.

UI wage records do not comprise the totality of the Employment and Training Administration (ETA)'s performance system. Other sources of information include direct oversight of program operations such as the recently completed "WIA Readiness Review;" the establishment of the "Workforce Excellence Network" to support benchmarking and continuous improvement; and the work ETA is undertaking with OMB and the other Federal Partner Agencies as well as the State and local programs to identify and define additional measures of performance for more real-time management purposes.

The Department is continuing to work with its partners to strengthen the availability and reliability of all of ETA's data sources.

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