

**WORKFORCE INNOVATION AND OPPORTUNITY
ACT REAUTHORIZATION: CREATING
OPPORTUNITIES FOR YOUTH EMPLOYMENT**

HEARING

BEFORE THE

**SUBCOMMITTEE ON
HIGHER EDUCATION AND
WORKFORCE INVESTMENT**

OF THE

**COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES**

ONE HUNDRED SEVENTEENTH CONGRESS

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**WORKFORCE INNOVATION AND
OPPORTUNITY ACT REAUTHORIZATION:
CREATING OPPORTUNITIES FOR
YOUTH EMPLOYMENT**

Thursday, May 13, 2021

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EDUCATION AND
WORKFORCE INVESTMENT,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:15 a.m., via Zoom, Hon. Frederica S. Wilson (Chairwoman of the Subcommittee) presiding.

Present: Representatives Wilson, Takano, Jayapal, Manning, Bowman, Castro, Sherrill, Espaillat, Courtney, Bonamici, Scott, Murphy, Grothman, Stefanik, Banks, Fulcher, Miller-Meeks, Good, McClain, Harshbarger, and Spartz.

Staff present: Ilana Brunner, General Counsel; Rashage Green, Director of Education Policy; Sheila Havenner, Director of Information Technology; Eli Hovland, Policy Associate; Ariel Jona, Policy Associate; Katie McClelland, Professional Staff; Richard Miller, Director of Labor Policy; Max Moore, Staff Assistant; Mariah Mowbray, Clerk/Special Assistant to the Staff Director; Udochi Onwubiko, Labor Policy Counsel; Kayla Pennebecker, Staff Assistant; Veronique Pluviose, Staff Director; Banyon Vassar, Deputy Director of Information Technology; Joshua Weisz, Communications Director; Cyrus Artz, Minority Staff Director; Courtney Butcher, Minority Director of Member Services and Coalitions; Amy Raaf Jones, Minority Director of Education and Human Resources Policy; Hannah Matesic, Minority Director of Operations; Audra McGeorge, Minority Communications Director; Jake Middlebrooks, Minority Professional Staff Member; and Chance Russell, Minority Professional Staff Member.

Chairwoman WILSON. The Subcommittee on Higher Education and Workforce Investment will come to order.

Welcome, everyone. I note that a quorum is present. The Subcommittee is meeting today to hear testimony on, “Workforce Innovation and Opportunity Act Reauthorization: Creating Opportunities for Youth Employment.”

This is an entirely remote hearing. All microphones will be kept muted as a general rule to avoid unnecessary background noise. Members and witnesses will be responsible for unmuting them-

selves when they are recognized to speak or when they wish to seek recognition.

I also ask that Members please identify themselves before they speak. Members should keep their cameras on while in the proceeding. Members shall be considered present in the proceeding when they are visible on camera, and they will be considered not present when they are not visible on camera.

The only exception to this is if they are experiencing difficulty and inform Committee staff of such technical difficulty. If any Member experiences technical difficulties during the hearing, you should stay connected on the platform. Make sure you are muted and use your phone to immediately call the Committee's IT director whose number was provided to you in advance. Should the Chair experience technical difficulty or need to step away to vote on the floor, Mr. Takano or another majority Member is hereby authorized to assume the gavel in the Chair's absence.

This is an entirely remote hearing and, as such, the Committee's hearing room is officially closed. Members who choose to sit with their individual devices in the hearing room must wear headphones to avoid feedback, echoes, and distortion resulting from more than one person on the software platform sitting in the same room.

Members are also expected to adhere to social distancing and safe healthcare guidelines including the use of masks, hand sanitizer, and wiping down their areas both before and after their presence in the hearing room.

In order to ensure that the Committee's five-minute rule is adhered to, staff will be keeping track of time using the Committee's field timer. The field timer will appear on its own thumbnail picture and will be named 001 timer. There will be no one-minute remaining warping. The field timer will show a blinking light when time is up. Members and witnesses are asked to wrap up promptly when their time has expired.

While roll call is not necessary to establish a quorum and official proceedings conducted remotely or with remote participation, the Committee has made it a practice whenever there is an official proceeding with remote participation for the Clerk to call the roll to help make clear who is present at the start of the proceeding. Members should listen carefully. Members should say their name before answering and announcing they are present. This helps the Clerk and also helps those watching the platform and the livestream who may experience a few seconds delay.

At this time I ask the Clerk to call the roll.

The CLERK. Chairwoman Wilson?

Chairwoman WILSON. Congresswoman Wilson, present.

The CLERK. Mr. Takano?

Mr. TAKANO. Congressman Takano, present.

The CLERK. Ms. Jayapal?

[No response]

The CLERK. Ms. Omar?

[No response]

The CLERK. Ms. Leger Fernández?

[No response]

Ms. JAYAPAL. Jayapal is present. Sorry.

The CLERK. Mr. Jones?

[No response]

The CLERK. Ms. Manning?

Ms. MANNING. Present.

The CLERK. Mr. Bowman?

Mr. BOWMAN. Congressman Bowman is present.

The CLERK. Mr. Pocan?

[No response]

The CLERK. Mr. Castro?

[No response]

The CLERK. Ms. Sherrill?

[No response]

The CLERK. Mr. Espailat?

[No response]

The CLERK. Mr. Grijalva?

[No response]

The CLERK. Mr. Courtney?

[No response]

The CLERK. Ms. Bonamici?

Ms. BONAMICI. Suzanne Bonamici is present.

The CLERK. Mr. Scott?

Mr. SCOTT. Mr. Scott is present.

The CLERK. Ranking Member Murphy?

Mr. MURPHY. Dr. Murphy is present.

The CLERK. Mr. Grothman?

[No response]

The CLERK. Ms. Stefanik?

[No response]

The CLERK. Mr. Banks?

[No response]

The CLERK. Mr. Comer?

[No response]

The CLERK. Mr. Fulcher?

[No response]

The CLERK. Mrs. Miller-Meeks?

[No response]

The CLERK. Mr. Good?

[No response]

The CLERK. Mrs. McClain?

[No response]

The CLERK. Mrs. Harshbarger?

Mrs. HARSHBARGER. Harshbarger present.

The CLERK. Mrs. Spartz?

[No response]

The CLERK. Ms. Letlow?

Ms. LETLOW. Letlow is present.

The CLERK. Ms. Foxx?

[No response]

The CLERK. Chairwoman Wilson, that concludes the roll call.

Ms. WILSON. Pursuant to Committee Rule 8(c), opening statements are limited to the Chair and the Ranking Member. This allows us to hear from our witnesses sooner and provides all Members with adequate time to ask questions. I recognize myself now for the purpose of making an opening statement.

Today we meet on the first of three bipartisan hearings focusing on reauthorizing the Workforce Innovation and Opportunity Act. It was last reauthorized in 2014 and is commonly referred to as WIOA which is the foundation of our Nation's workforce development system.

The hearing will focus on three youth programs: Youth workforce investment activities, YouthBuild, and Job Corps. These programs provide low-income, in-school and out-of-school young people ages 14 to 24 with job opportunities, pathways to further their education or training, and basic support services that help them find good-paying jobs.

This is a timely and important movement. This is a moment to invest in our youth-focused initiatives because millions of young people in communities across the country are struggling to cope with the fallout from the COVID0919 pandemic. Anywhere from 6 to 10 million young people were estimated to be disconnected from school and work at the height of the COVID0919 pandemic, compared to roughly 4 million in 2019. WIOA-funded programs are critical tools to create opportunities for these young people.

This bipartisan reauthorization effort is a chance to make important improvements to help ensure they can reach their full potential. One area of improvement is better allocation of youth workforce investments which received just over \$920 million in Fiscal Year 2021. Under current law, no less than 75 percent of WIOA funds must be used to serve out-of-school youth. This effort to target funding to the most vulnerable group of young people has unfortunately had an unintended consequence. Programs are often forced to wait until a struggling student is fully disconnected from schools to offer their services. Such a delay creates unnecessary barriers that result in missed opportunities to intervene earlier and keep students in school.

Another area for improvement is expanding paid work-based learning opportunities. Connecting young people with jobs where they can build skills is vital to their long-term success. Studies show that teenagers who have a job between the ages of 16 and 18 are more likely to earn higher wages as adults. Increasing the funding for these programs and extending forms of work-based learning to include job shadowing, job preparation, and youth apprenticeship programs can make a meaningful difference in our communities.

Today we will also explore improvements to Job Corps which provides tens of thousands of young people across 50 states with residential education, vocational training, and job placement services. I have heard from countless community leader and residents who credit Job Corps with transforming their lives, which is why I have championed this program throughout my career in public service. I am extremely proud of the Job Corps center in my district, and I have bragging rights because it is ranked No. One in the country in programming in the 2019 year based on performance indicators.

Job Corps enjoys widespread bipartisan support, and I hope we can find bipartisan agreement to make it even more effective. This includes changing the counterproductive zero-tolerance language enacted during the Clinton administration which requires automatic dismissal of young people for alcohol abuse, minor drug of-

fenses, and other infractions that would instead be met with more reasonable and helpful interventions like counseling and treatment. Blanket drug testing with followup tests being required even before the chemicals may fully have left a student's body have led to roughly 12,500 expulsions, 91 percent of which were from marijuana use. Today recreational marijuana use is either legal or has been decriminalized in nearly half of our states.

As with any organization, Job Corps' success relies on the quality and the stability of the staff. Job Corps has struggled to retain its best teachers, counselors, nurses, and managers because it cannot pay competitive wages in the locality. For that reason we should consider whether to remove the exemption for Job Corps contractors from the Service Contract Act which would set up a wage floor for Job Corps center employees that is pegged to comparable local wages. Without that protection, Job Corps centers cannot compete for instructional talent with local public school districts, which is needed to reduce staff turnover, which undermines the performance of the program.

Of course, the most important improvement we can make to all WIOA programs is to increase their funding. Job Corps has been underfunded relative to its authorization level by at least \$120 million each year for the past 5 years and more than \$239 million in the last year alone. Youth workforce initiatives have been underfunded relative to its authorization level by an aggregate \$150 million since 2016. We get what we pay for. No program can be expected to meet the needs of our communities while we consistently underfund it every year.

Today's hearing kicks off a vital effort to give at-risk young people the support they need to lead fulfilling lives and will make our communities much, much stronger. I look forward to working with my colleagues to reauthorize WIOA, and I now recognize the distinguished Ranking Member for the purpose of making an opening statement.

[The prepared statement of Chairwoman Wilson follows:]

STATEMENT OF HON. FREDERICA S. WILSON, CHAIRWOMAN, SUBCOMMITTEE ON
HIGHER EDUCATION AND WORKFORCE INVESTMENT

Today, we meet for the first of three bipartisan hearings focusing on reauthorizing the *Workforce Innovation and Opportunity Act*. It was last reauthorized in 2014 and is commonly referred to as WIOA, which is the foundation for our Nation's workforce development system.

This hearing will focus on three youth programs: Youth workforce investment activities, YouthBuild, and Job Corps. These programs provide low-income, in-school and out-of-school young people—ages 14 to 24—with job opportunities, pathways to further their education or training, and basic support services that help them find good-paying jobs.

This is a timely and important moment to invest in our youth-focused initiatives because millions of young people—in communities across the country—are struggling to cope with the fallout from the COVID-19 pandemic.

Anywhere from 6 to 10 million young people were estimated to be disconnected from school and work at the height of the COVID-19 pandemic, compared to roughly 4 million in 2019.

WIOA-funded programs are a critical tool to create opportunities for these young people. This bipartisan reauthorization effort is a chance to make important improvements to help ensure they can reach their full potential.

One area for improvement is better allocation of youth workforce investments, which received just over \$920 million in Fiscal Year 2021. Under current law, no less than 75 percent of WIOA funds must be used to serve out-of-school youth. This effort to target funding to the most vulnerable group of young people has unfortu-

nately had an unintended consequence. Programs are often forced to wait until a struggling student is fully disconnected from school to offer their services. Such a delay creates unnecessary barriers that result in missed opportunities to intervene earlier and keep students in school.

Another area for improvement is expanding paid work-based learning opportunities. Connecting young people with jobs where they can build skills is vital to their long-term success. Studies show that teenagers who have a job between the ages of 16 and 18 are more likely to earn higher wages as adults. Increasing the funding for these programs and expanding forms of work-based learning to include job shadowing, job preparation, and youth apprenticeship programs could make a meaningful difference in our communities.

Today, we will also explore improvements to Job Corps, which provides tens of thousands of young people across all 50 states with residential education, vocational training, and job placement services.

I have heard from countless community leaders and residents who credit Job Corps with transforming their lives, which is why I have championed this program throughout my career in public service. I am extremely proud of the Jobs Corps Center in my district-and I have bragging rights-because it was ranked No. 1 in the country in program year 2019 based on performance indicators.

Job Corps enjoys widespread bipartisan support, and I hope we can find bipartisan agreement to make it even more effective. This includes changing the counterproductive "zero tolerance" language enacted during the Clinton administration, which requires automatic dismissal of young people for alcohol abuse, minor drug offenses, and other infractions that, should instead be met with more reasonable and helpful interventions like counseling and treatment.

Blanket drug testing, with followup tests being required even before the chemicals may have fully left a student's body, have led to roughly 12,500 expulsions, 91 percent of which were for marijuana use. Today, recreational marijuana use is either legal or has been decriminalized in nearly half of our states.

As with any organization, Job Corps' success relies on the quality and stability of the staff. Job Corps has struggled to retain its best teachers, counselors, nurses, and managers because it cannot pay competitive wages in the locality. For that reason, we should consider whether to remove the exemption for Job Corps contractors from the *Service Contract Act*, which would set a wage floor for Job Corps center employees that is pegged to comparable local wages. Without that protection, Job Corps centers cannot compete for instructional talent with local public school districts, which is needed to reduce staff turnover-which undermines the performance of the program.

Of course, the most important improvement we can make to all WIOA programs is to increase their funding. Job Corps has been underfunded relative to its authorization level by at least \$129 million each year for the past 5 years-and more than \$239 million in the last year, alone. Youth workforce activities have been underfunded relative to its authorization level by an aggregate \$150 million since 2016.

We get what we pay for. No program can be expected to meet the needs of our communities while we consistently underfund it every year.

Today's hearing kicks off a vital effort to give at-risk young people the support they need to lead fulfilling lives that will make our communities much, much stronger.

I look forward to working with my colleagues to reauthorize WIOA, and I now recognize the distinguished Ranking Member for the purpose of making an opening statement.

Mr. MURPHY. Thank you, Chairwoman Wilson. Congratulations on your program's Number One ranking. That is fantastic. That is fantastic.

Our conversation today could not be timelier as we know that young people ages 16 to 24 are experiencing a decline in employment and labor force participation. In fact, last year in July, the labor force participation rate for the ages was the lowest going back to July 1948 when the Bureau of Statistics first began reporting the statistic.

The aim of the Workforce Innovation and Opportunity Act, the WIOA Youth Programs, is to prepare young adults to embark on successful, fulfilling careers and is necessary for a prosperous

workforce. As such, I am thankful that reevaluating these important programs is a task that House Republicans and Democrats are tackling together. Before we jump into reauthorizing these programs, we should also carefully examine where they can better serve youth, as it appears there is room for improvement to live up to the promise of the last reauthorization.

For example, Job Corps is it—Job Corps exists to assist disadvantaged youth, providing them with career and technical education, and connecting them with the labor force. This program was allocated \$1.7 billion in fiscal 2021 but has faced significant difficulty in the path both in maintaining safety and security for program participants and improving their job prospects.

For this program to serve its purpose, we must reevaluate where the program has failed in the past and increase accountability to ensure that these programs do not persist and that the youth who take part in Job Corps are put on a course that is successful to their pursuing their years. More broadly, the workforce system is too often siloed and disconnected from regional economic development needs and is not agile enough to adapt to emerging demands from businesses.

How we allocate money always matters. But when it comes to the programs that are preparing our kids for their future, it is also much more about dollar signs. For the economy to flourish, it is imperative that our Nation's youth are well-prepared to enter the workforce. For the sake of our taxpayers and our children, we cannot blindly funnel money into programs without first considering what works best and what is needed by employers in the region where the children live. However, if we ensure that employers are at the table and the system is focused on meeting the needs of America's youth and young people, House Republicans believe that the WIOA's youth programs will fulfill their promise to our Nation's kids.

As we begin conversations on a bipartisan reauthorization of WIOA, I am asking that my Democratic colleagues continue to work with us to ensure that these programs not only are well-funded but they meet their primary goal of preparing American's youth for meaningful years before we figure out if these programs need to grow. I know that we all have the best interest of America's children at heart, and that gives me great hope as we work together to optimize these programs.

Thank you, Madam Chairman. I will yield back.

[The prepared statement of Mr. Murphy follows:]

STATEMENT OF HON. GREGORY F. MURPHY, RANKING MEMBER, SUBCOMMITTEE ON
HIGHER EDUCATION AND WORKFORCE INVESTMENT

Our conversation today could not be timelier as we know young people ages 16 to 24 are experiencing a decline in employment and labor force participation. In fact, last year in July, the labor force participation rate for these ages was the lowest rate for July dating back to 1948, when the Bureau of Labor Statistics first began reporting the statistic.

The aim of the Workforce Innovation and Opportunity Act (WIOA) youth programs—to prepare young adults to embark on successful, fulfilling careers—is necessary for a prosperous workforce. As such, I am thankful that reevaluating these important programs is a task that House Republicans and Democrats are tackling together.

Before we jump to reauthorizing these programs, we should carefully examine how they can better serve youth, as it appears there is room for improvement to live up to the promise of the last reauthorization.

For example, Job Corps exists to assist disadvantaged youth by providing them with career and technical education and connecting them with the labor force. This program was allocated 1.7 billion dollars in Fiscal Year 2021 but has faced significant difficulties in the past both in maintaining safety and security for program participants and in improving their job prospects.

For this program to serve its purpose, we must reevaluate where the program has failed in the past and increase accountability to ensure that these problems do not persist and that the youth who take part in Job Corps are put on the course to successful careers.

More broadly, the workforce system is too often siloed and disconnected from regional economic development needs and not agile enough to adapt to emerging demands from businesses.

How we allocate money always matters. But when it comes to programs that are preparing our kids for the future, it's about so much more than dollar signs. For our economy to flourish, it is imperative that our Nation's youth are well-prepared to enter the workforce. For the sake of our taxpayers and our children, we cannot blindly funnel money into programs without first considering what works best and is needed by employers in the region.

However, if we ensure employers are at the table and the system is focused on meeting the needs of America's young people, House Republicans believe that the WIOA youth programs will fulfill their promise to our Nation's kids.

As we begin conversations on a bipartisan reauthorization of WIOA, I'm asking my Democrat colleagues to work with us to ensure these programs can meet their primary goal of preparing America's youth for meaningful careers before we figure out if the programs need to grow.

I know that we all have the best interest of America's children at heart and that gives me great hope as we work together to optimize these programs.

Chairwoman WILSON. Thank you, Representative Murphy.

And without objection, all of the Members who wish to insert written statements into the record may do so by submitting them to the Committee Clerk electronically in Microsoft Word format by 5 o'clock p.m. on Thursday, May 27, 2021.

I would like to enter for the record a letter from the National Association of Home Builders in support of strengthening Job Corps and YouthBuild without objection.

Chairwoman WILSON. I will now introduce the witnesses. Ms. Chekemma Fulmore-Townsend. Ms. Chekemma Fulmore-Townsend is the President and CEO of the Philadelphia Youth Network. In this role she draws on her experience and research, social work, and systems change to lead the creation of coordinated systems than promote academic achievement, economic opportunity, and personal success.

Mr. Thomas Showalter is a senior advisor at the National Youth Employment Coalition where he leads work on education and workforce policy and related areas including disability policy, juvenile justice, and poverty programs, as well as Federal policy development.

Ms. Deb Lindner. Ms. Deb Lindner is the human resources manager for Precor in Whitsett, North Carolina, where she leads the workforce planning and development, organizational development, employment relations and leadership development for the company.

Mr. Byron Garrett is the president and CEO of the National Job Corps Association, a national organization representing the 121 active Job Corps campuses and their staff, the youth service providers who manage the campuses, and the thousands of students who Job Corps annually serves.

Welcome to every one of you. Thank you so much for joining us on this most important forum. We appreciate your taking the time to be with us today and to lend all of your knowledge and advice to our Committee.

I want to remind the witnesses that we have you—and all of us on our Committee have read your written statements and then written statements will appear in full in the hearing record.

Pursuant to Committee Rule 8(d) and Committee practice, each of you is asked to limit your oral presentation to a five-minute summary of your written statement.

Before you begin your testimony, please remember to unmute your microphone during. During your testimony, staff will be keeping track of time. And a light will blink when the time is up. Please be attentive to the time. Wrap up when your time is over, and then remute your microphone.

If you experience any technical difficulties during your testimony or later in the hearing, you should stay connected on the platform, make sure you are muted, and use your phone to immediately call the Committee's IT director whose number was provided to you in advance.

We will let all the witnesses make their presentations before we move to Member questions. And remember, when answering a question, please remember to unmute your microphone. The witnesses are aware of their responsibility to provide accurate information to the Subcommittee and, therefore, we will proceed with their testimony.

I will now recognize Ms. Fulmore-Townsend. Welcome.

**STATEMENT OF CHEKEMMA FULMORE-TOWNSEND,
PRESIDENT & CEO, PHILADELPHIA YOUTH NETWORK,
PHILADELPHIA, PA**

Ms. FULMORE-TOWNSEND. Chairwoman Wilson, Ranking Member Murphy, and Members of the Subcommittee, thank you for the opportunity to speak today.

My name is Chekemma Fulmore-Townsend, and I am the president and CEO of the Philadelphia Youth Network, known as PYN. Our vision is to use education and employment experiences to interrupt the cycle of poverty. We connect young people 12 to 24 years old to the skills and mindsets needed to thrive in school, career, and ultimately life.

Our work promotes equity in access and outcomes especially for the most vulnerable in Philadelphia. We value youth voice and seek to empower young people to shape their destiny. We use collective impact to drive results and are not shy about our beliefs that all young people are full of potential, powerful, and capable of great progress.

At PYN, we do not work in a silo. Together with our partners, PYN has provided more than 225,000 opportunities. We have learned a lot about sustaining scalable results.

Madam Chair, life has been very difficult over the past 15 months for all of us including young people. The expectations of work have changed which means our strategies and approaches must advance to meet the needs of the next generation. Disruptive events like the global pandemic, economic and health disparities,

and the racial awakening we are all facing forces us to confront systemic and institutional bias with swift action to close gaps in educational achievement and economic earnings for vulnerable youth.

Across the Nation local workforce boards and youth-serving organizations are employing new strategies and strengthening partnerships. I know from personal experience the courage it takes to be a cycle breaker in your family. I am a social worker today because at 14 in my first job I learned that helping was actually a career. For many young people the first step to a prosperous future lies in the programs that WIOA supports. I am truly humbled to share my thoughts here today.

My first, communities are unique, and policy works better with flexibility. Reconsider the requirement of 75 percent funding threshold required for disconnected youth. Holding to this ratio means we must wait until youth are disconnected to serve them, rather than take preventative measures to keep them engaged and on track to meet their education and employment goals. Let's simplify the enrollment process by using a set of risk indicators for disconnection. Youth served should meet at least one of the risk indicators, rather than overemphasizing in-school or out-of-school status because the needs are similar, despite the definitions.

Prioritize quality and continuous improvement. Consider incentivizing approaches that imbed literacy and numeracy skills, along with industry-specific instruction. Research shows this strategy connects classroom learning to the demands of the workplace.

Professional development for youth workers is a priority. Too often the adults who are responsible for coaching students do not receive the professional development needed to truly prepare young people for the future of work. Employ innovative strategies like our Opportunity Youth Fund to address barriers including physical and mental health, housing stability, transportation and childcare assistance, and food insecurity. You cannot learn or grow when your basic needs are not met.

During the pandemic our Youth Opportunity Fund helped nearly 1,000 young people stay connected to their programs. We intentionally simplified the process to ensure emergency funds were received in a way that best fit young people.

Invest more and followup services in early work experiences, especially summer jobs. Adequate funding for followup provides sustained employment for young people. WIOA investments have declined since 2014. Current funding levels will not be adequate to keep pace with the rapidly changing world of work. Summer jobs needs specific attention. While WIOA allows for summer youth employment, it is not enough. Since 1998, there has been no direct Federal support for summer jobs other than the ARRA funding in 2009 and the Summer Jobs+ initiative in 2016. Summer comes every year, and so should the support. We applaud Congressman Scott's Opening Doors for Youth Act that would have authorized support for summer jobs which has numerous benefits for young people, employers, and the local community.

Philadelphia has invested more than \$7 million annually for summer and year-round jobs. Even during the pandemic, PYN with our network of local policymakers provided more than 6,100 young

people with summer jobs. Imagine what we could do with consistent funding.

Everywhere youth workers are helping young people to succeed. Effective data collection, payment systems, are career framework, and virtual intern toolkit have been replicated in other cities.

Thank you to the Subcommittee Members for your interest and bipartisan leadership in this work. Together we can create high-quality opportunities that young people need and, more importantly, deserve.

[The prepared statement of Ms. Fulmore-Townsend follows:]

PREPARED STATEMENT OF CHEKEMMA FULMORE-TOWNSEND



Prepared Testimony of
Chekemma J. Fulmore-Townsend, MSW
President and CEO of the
Philadelphia Youth Network

Chairwoman Frederica S. Wilson & Ranking Member Gregory F. Murphy

U.S. House of Representatives Education & Labor Committee's
Subcommittee on Higher Education and Workforce Investment

Thursday, May 13, 2021

Testimony in support of:

Workforce Innovation and Opportunity Act: Creating
Opportunities for Youth Employment

PYN Written Testimony

U.S. House of Representatives Education & Labor Committee | Thursday, May 13, 2021

Chair Wilson, Ranking Member Murphy, and members of the subcommittee, thank you for the opportunity to appear before you today. My name is Chekemma Fulmore-Townsend. I am the President and CEO of the Philadelphia Youth Network, where I work tirelessly with my colleagues to ensure education and employment opportunities are available to young people in Philadelphia. Our vision is to use those education and employment experiences to interrupt the cycle of poverty by connecting youth to the skills and mindsets they need to thrive in their chosen career pathway. Together, with our partners, PYN has provided more than 225,000 education and employment opportunities since our inception in 1999.

Madam Chair, all of us have lived through our share of challenges over the past 15 months, but let me begin by offering you some good news. In Philadelphia and across this nation, local workforce boards and youth-serving community organizations are working as hard as we possibly can to bring the best possible mix of education, training, and employment services to our nation's young people. Our partnerships are strong, and our commitment is unyielding.

I know first-hand how important federal workforce development legislation like the Workforce Innovation and Opportunity Act can be in creating the next generation of leaders. In fact, I am living proof of the power of early paid internships to transform the lives of young people. I am a social worker today because in my first job as a high school student I learned that I wanted to turn helping people into a career. It was also through that job that I earned much needed money that helped pay for school supplies and school clothes. So, in a very real sense, if it had not been for employment training programs, I would not be here before you today.

As the first in my family to attend college and earn a graduate degree, I know full well

the emotional burden and courage it takes for a young person to be a cycle breaker in their family. Therefore, I'm particularly grateful for the opportunity to discuss the importance of WIOA reauthorization in serving our most vulnerable young people and the essential role of WIOA-funded programs play in preparing youth to become skilled, educated, and engaged citizens in our future workforce.

Since PYN's inception, we have learned a great deal about what it takes to deliver high-quality youth employment programming, including in this last, most challenging period. Based on those experiences, I want to offer several thoughts and recommendations in three areas:

- Strengthening WIOA programming for out-of-school school young adults
- Re-establishing a robust national summer jobs program
- Increasing federal investments in all aspects of youth workforce development.

WIOA Programming. WIOA appropriately prioritizes 16-24-year-old youth and young adults who are out-of-school, requiring that at least 75% of funds be dedicated to programming for this population. While serving this population is a key piece of our work, holding to this ratio to meet WIOA requirements means that providers must often wait to serve youth until they are already disconnected, rather than taking preventative measures that are more cost-effective and could have kept them engaged and on-track to meet their education and employment goals. Utilizing a "Priority Population" framework to determine youth eligibility using a set of risk indicators for disconnection would simplify the enrollment process and allow local providers more flexibility to serve those youth in their communities with the highest need. We recommend that 90% of youth enrolled in WIOA programming meet at least one of the priority population indicators as recommended by the National Youth Employment Coalition.

As the statute recognizes, we consistently find that this population of young people needs significant amounts of additional preparation in their literacy and numeracy skills, and we know that contextualized learning that is embedded in career skills training reinforces academic and technical skills. We recommend incentivizing

training approaches that build literacy and numeracy skills in a career-specific way.

Additionally, significant supportive services are required to address barriers to success. These barriers include things like physical and mental health, housing stability, transportation assistance, food insecurity, and childcare, and are fundamental needs as young people prepare to successfully enter and complete a WIOA training program. To better address these challenges, we recommend providing additional flexibility in the criteria to validate the needs as a pre-requisite for the approval of supportive services. Not only is it difficult to navigate the complexities of each system, it is traumatizing and triggering to relive the details of your pain in order to get the help needed to be successful in training. Funding adequate case management and pre-participation readiness activities would be an advanced step in delivering services in a way that meets the expressed needs. Additional consideration should be given to more adequately funding and extending follow up services that are necessary to a young person's continued success after the completion of their program.

Young peoples' needs also require more highly trained staff. Too often adults who are responsible for coaching students into successful career placements do not receive the kind of professional development they need to keep up with industry standards required by employers in a variety of fields and truly prepare young people for the future of work. Strengthening WIOA youth provisions to provide for and require appropriate professional development, coupled with mindfulness and trauma-informed care training, could improve this situation and ensure that qualified staff are retained, which ultimately impacts the scale and consistency of positive outcomes.

Summer Youth Employment. Although WIOA allows funds to support summer youth employment, with the exceptions of the youth provisions of the American Recovery and Reinvestment Act of 2009 and the Obama Administration's Summer Jobs Plus initiative in 2016, there has been no direct federal support for summer jobs since 1998. Of course, we applaud Congressman Scott's Opening Doors for Youth Act that would have authorized support for summer youth employment opportunities and urge that these or similar provisions be enacted.

Research has shown that early work experience, including during the summer months, can have a range of benefits for young participants, including improved academics, avoidance of negative behaviors, and better jobs and earnings later in life. And, in fact, many cities like Philadelphia have stepped up to offer these experiences for our young people. But renewed federal legislation authorizing summer youth employment programs could mean that tens of thousands more young people have access to these important developmental opportunities. These opportunities also enhance the local talent pool by exposing the next generation to the evolving world of work. Summer jobs offer a way for local employers to actively contribute to solutions that train new workers for their future talent needs. There are benefits for the youth and the economy that should no longer be ignored.

Investments. Federal investments in youth employment programming through the Workforce Investment Act and the Workforce Innovation and Opportunity Act have declined 40% since 2001. As a result, only a small fraction of eligible youth can be served. This limited investment is particularly challenging now given the significant needs of vulnerable young people who were hardest hit in the last year. Since WIOA was reauthorized in 2014, we know the world and the outlook for our young people has shifted dramatically. Reports from the field indicate that we have lost a decade of progress in the last year in terms of youth education and employment. Despite the odds, we know that the young people we serve are powerful, full of potential, and deserving of every positive opportunity that keeps them engaged productively in school, in their community, and in the workforce.

We urge that these investments and enhancements be included in the reauthorization of the Workforce Innovation and Opportunity Act.

Local communities are doing their part, providing support for opportunity youth training programs, summer youth employment, and employer-linked sector approaches and career pathways training. In Philadelphia, our city regularly provides more than \$7 million for summer and year-round jobs and has also prioritized providing an additional 2,000 employment opportunities for opportunity youth.

A particularly innovative funding approach came in the summer of 2020, when PYN

established its first ever Opportunity Youth Fund, where young people could receive funds in a variety of payment forms for assistance with exactly what they needed to survive- electric bills, food, internet bills, and more. The funder for this new initiative saw the need for flexible funding and met it, but not without many roadblocks. At every turn we met resistance, from the accounting regulations to the banking requirements, but we persisted with nearly 1,000 youth benefiting from this approach. PYN has chosen to continue this initiative as we have seen its positive effects, despite the significant challenges. This kind of flexibility and real-time responsiveness to youth need should be considered in any legislation supporting youth employment programs.

All over our country, youth workforce professionals are helping young people succeed. In Philadelphia Youth Network's two dozen years of serving youth, we have developed some best practices that have been seen and replicated in other cities across the youth workforce system. We have built deep partnerships with our local workforce investment board and employers that have allowed us to braid funding streams and inform our preparation of youth for their future careers. We have also published a [Career Development Framework \(CDF\)](#) that was designed to translate the expectations of employers into attainable skills and traits that can be taught by youth program providers. The framework is intentionally industry-agnostic and outlines career skills that youth need to attain for any industry as they progress developmentally- skills like teamwork and communication, learning from failure and growth from feedback, and leadership. PYN worked with city departments, educational leaders, and employers to develop the framework that unites the actions and services of different systems that serve youth. Because of this, it was embedded into the Mayor's citywide workforce strategy (*Fueling Philadelphia's Talent Engine*) and the Office of Children and Families adopted the CDF in their RFP (Request for Proposals) requirements for youth out of school time programs. This city-wide collaboration has transformed the language and actions of funders and programs alike to be unified in our approach to youth workforce development.

We also work to be accountable by continually improve our efforts collect the kind of data that many programs cannot obtain on their own as they work with limited

resources and serve a small subset of the youth population. We have documented the benefits of youth employment and training programs for our city, including lowering rates of criminal justice involvement, and the fact that paying youth not only puts money directly back into the local economy but also, in many cases, provides additional income for families living in poverty.

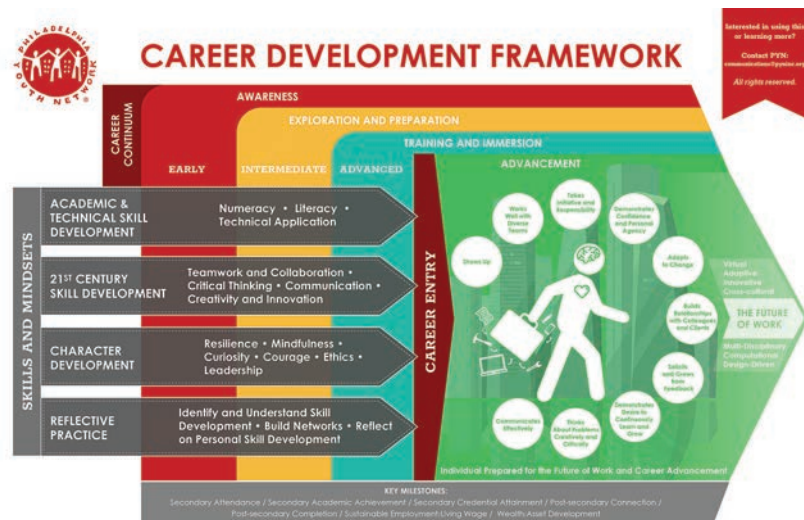
Because of this, and the privilege I have to witness young people in Philadelphia changing their outcomes firsthand, I deeply believe in the need for WIOA reauthorization, renewed federal attention to summer jobs, and further investment in the education and employment programs that make such a difference in the lives of our most vulnerable young people.

Thank you to the Committee for your interest and leadership in this work. I look forward to working with you to ensure that all our young people have access to the high-quality opportunities that they need, and more importantly, deserve.

¹ A Decade Undone: Youth Disconnection in the Age of the Coronavirus. Kristen Lewis, Measure of America, 2020.

² Fueling Philadelphia's Talent Engine, 2018.

https://issuu.com/pyninc/docs/virtual_internship_employer_toolkit_with_addendum



COVID-19 cancels many summer plans, but will not stop summer jobs in Philadelphia

Chekemma J. Fulmore-Townsend, President and CEO, Philadelphia Youth Network

BLOG

MAY 18, 2020

5/21/2021 COVID-19 cancels many summer plans, but will not stop summer jobs in Philadelphia - The Aspen Institute Forum for Community Solutions



Chekemma J. Fulmore-Townsend, President and CEO, Philadelphia Youth Network

Every year, in cities and communities across the country, young people participate in summer jobs. These important opportunities help them gain valuable workforce skills and earn an income. While this year will be dramatically changed by COVID-19, we know that summer programs for our young people will be even more important as we recover from the impacts of this pandemic. This is why Philadelphia partners are united and committed to ensuring young people are safe, healthy, and able to engage in paid summer experiences. (A webinar on May 28, 2020, from 2 p.m.-3:30 p.m. ET will discuss this issue. Register here <https://aspeninst.zoom.us/webinar/register/wn_bajmibjnr9q7jgpi03pasg>.)

5/21/2021 COVID-19 cancels many summer plans, but will not stop summer jobs in Philadelphia - The Aspen Institute Forum for Community Solutions

In Philadelphia, our city's largest coordinated system of summer jobs for young people is WorkReady, managed by the Philadelphia Youth Network (PYN). WorkReady provides real-world experiences through early to advanced opportunities to prepare young people for a competitive workforce. Just as PYN was beginning to contract with a network of 80+ youth-serving organizations and preparing to enroll thousands of WorkReady participants, the city and state closed schools and nonessential businesses to combat the spread of the coronavirus. We knew our system could recover from a short-term delay; but by early April the world as we knew it had changed forever.

While this year will be dramatically changed by COVID-19, we know that summer programs for our young people will be even more important as we recover from the impacts of this pandemic. This is why Philadelphia partners are united and committed to ensuring young people are safe, healthy, and able to engage in paid summer experiences.

Philadelphia, like many cities across the country, are experiencing the devastating realities of this crisis. Every community is unique, many have announced the difficult decision to suspend summer jobs programming this year, and others are exploring digital and virtual opportunities. Whether you are still working to adapt summer programming or contingency planning for what comes next, here are four key take-aways we believe are crucial to ensure young people are not left out of the economic recovery efforts.

5/21/2021 COVID-19 cancels many summer plans, but will not stop summer jobs in Philadelphia - The Aspen Institute Forum for Community Solutions

I. **Adaptive thinking** – Learn fast, adapt fast, repeat. This is especially important for organizations that need to coordinate and bring along partners. We had to do in weeks what we normally do in months or years. We redeployed staff, retooled youth experiences, and reengineered the system for implementation. We rapidly gathered data and in four weeks, Philadelphia had a working plan to continue summer programming, which our Mayor announced on May 5th <https://www.phila.gov/2020-05-05-city-provides-update-on-covid-19-for-tuesday-may-5-2020/>. None of this could be possible without a radical shift in thinking.

2. Coordinating partners – I am humbled and energized by our network of partners, and their willingness and ability to help us push forward. We could not have developed a plan without their insight and the responsive way they gathered data, shared ideas, and contributed to our plan. One of the most important steps we took in Philadelphia, was coordinating quickly with our partners to find the best path forward.

- Service Delivery Partners: We quickly surveyed youth-serving organizations to inform our planning and tailor messaging. To move forward, we needed to increase communication and adjust our processes to give practitioners as much clarity and flexibility as possible.
- Funders –We wanted to understand all of our funders' (large and small, local and national) priorities, boundaries, and aptitude for change, while being sensitive to their unique challenges in the pandemic. We shared our plans and invited them to adapt with us. Most welcomed the opportunity to work flexibly and strategically.
- Employers – Employers can pay for youth experiences, host them in their business, or both. Philadelphia's business community plays a vital role in WorkReady, creating roughly 1,000 worksites and investing over \$1M in their future workforce every summer. Covid-19 is impacting businesses differently, and while we are still uncertain if traditional in-person opportunities will be possible this summer, we are grateful for employers that have been able to step up ensuring this important work continues. Ongoing communication with our business community remains critical as we plan for safe and feasible summer options.

- **System Partners** – Local government and system partners play critical roles in coordinating large systems. The City of Philadelphia Office of Children and Families and Philadelphia Works are our two largest partners and investors locally. These partners were managing urgent disruptions across different parts of their systems, and we're appreciative they made it a priority to be available, engage, and share information. Redesigning programming across the city required system leaders to work together quickly and effectively. Coming to these partners with flexible solutions for consideration and refinement made it easier to quickly plan and unite as a city.
- **Young People** –Our priority is ensuring young people are healthy and safe. PYN focused on directing young people to resources for food access, digital and at-home learning experiences, and the latest information from the school district, city and state. Our work with young people fueled our commitment to developing a plan for them to learn and earn in safe ways. As we move forward, we are working with our partners and youth-serving organizations to ensure program messaging and instructions for summer opportunities are as clear and coordinated as possible.

3. Programmatic shifts – During a time where we face uncertainty about the duration of worksite closures and the safety protocols for reopening, digital experiences allow young people to safely and easily access workforce opportunities where they are. It also gives them the chance to participate in and prepare for the future of work right now.

- **Implementation** – We needed to scale up digital experiences to either replace or supplement in-person experiences. PYN worked with Naviance, a college and career readiness technology solution, and were able to build digital experiences. Participants will have digital experiences to earn incentives focused on digital career exposure, financial literacy and digital literacy and brand identity.
- **Access** – Young people have varying levels of digital access and literacy. We know young people living in poverty are more likely to have less access. Despite this reality, the expectations of school and work will continue to require digital competence in order to participate and succeed. Lifelong learning, and the ability to adapt quickly and solve complex problems will be essential to our workforce. With nearly 90% of participants living at or below the federal poverty line, PYN's diverse programs work to connect them to solutions and to close the knowledge gap by offering comprehensive programs that promote skill development. Comcast, headquartered in Philadelphia, has taken extra steps to make internet access even more affordable to low-income families <https://www.internetessentials.com/covid19> during the pandemic and schools have loaned computers to students who need one.
- **Safety & Preparedness to Reopen** – PYN is monitoring guidelines and recommendations from local, state and federal officials as well as youth-serving organizations, employers and partners to determine if a transition for an in-person experience will be possible this summer.

4. Coordinated Plan – We are implementing flexible options for youth-serving organizations and participants, working with funders and system partners to problem-solve obstacles as they emerge, and above all, striving to be solutions-driven. Creating a coordinated plan hand-in-hand with our partners continues to be more important than ever to keep progress possible.

We believe this summer will give us new insights and lessons for improving WorkReady for years to come. We believe the shifts we are making will better prepare young people for the future of work equipped with digital, and remote experiences. We know that summer employment is a critical part of PYN's Career Development Framework <https://pyninc.org/docs/career_dev_framework.pdf>. While we know that the challenges from Covid-19 are far from over, we believe in the promise of young people and our commitment to prepare them for the future they deserve.

Topics: Collaboration <<https://aspencommunitysolutions.org/topic/collaboration/>>.

Opportunity Youth <<https://aspencommunitysolutions.org/topic/opportunity-youth/>>

Programs: Opportunity Youth Forum <<https://aspencommunitysolutions.org/program/opportunity-youth-forum/>> Opportunity Youth Incentive Fund <<https://aspencommunitysolutions.org/program/opportunity-youth-incentive-fund/>>

Locations: Philadelphia, PA <<https://aspencommunitysolutions.org/location/philadelphia-pa/>>

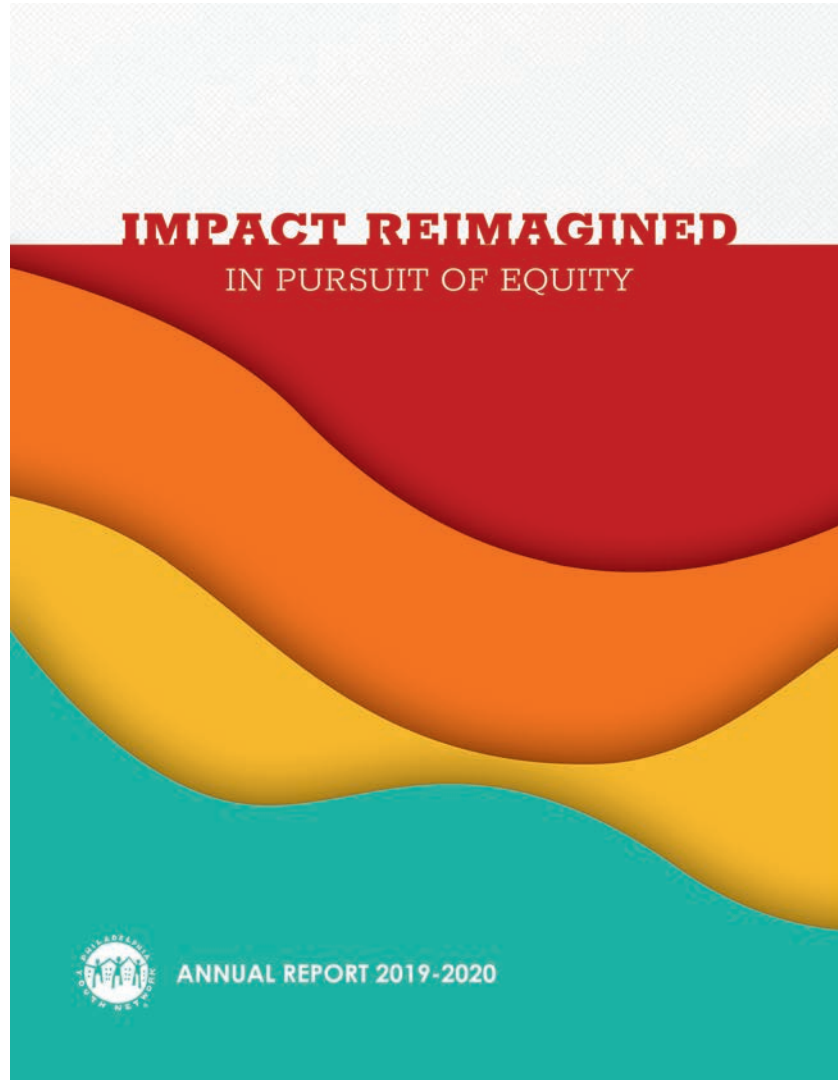


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FROM OUR PRESIDENT AND CEO

Dear Friends,

This past year has been an unbelievable testament to the resilience of humanity, and the common needs we all share for health, justice and safety. The global pandemic, economic devastation and the systemic racial inequities that have risen to the surface have all caused great harm, but they have also disrupted the status quo and made way for greater collaboration, creativity and innovation. Your commitment, investments and support helped us to reimagine our impact for young people. While this year was challenging, we harnessed the energy of our partners — schools, employers, service providers, funders, and young people — to create new services that support career readiness for youth and young adults in Philadelphia. We are truly grateful because we know these successes would not have been possible without your help.

Although we faced obstacles, we never stopped pursuing more equitable outcomes for young people. In a time when so much was being closed down or canceled for young people, we strived to remain a “yes” in a world of “no.” To pursue our vision of alleviating poverty and promoting equity through education and employment, we applied lessons learned from our strategic plan to innovate and pivot our system in response to the needs that arose for young people because of the pandemic. We are so glad that we did not face this time alone, and



that so many of you chose to use your talents and resources to ensure young people had opportunities to earn money, build skills, remain connected to education, and imagine their future careers.

The many events of 2020 challenged us all, but we remain committed to young people because they deserve every chance to develop their potential and thrive.

In Service,

Chekemma J. Fulmore-Townsend

ABOUT PYN

The Philadelphia Youth Network (PYN) creates education and employment opportunities for youth and young adults. We believe every young person deserves the chance to cultivate their talents and to achieve their dreams. To make more opportunities available to youth and young adults, we:

- Build systemic solutions that close gaps in youth serving systems.
- Support and train youth-serving organizations to deliver high quality programs that develop academic and career readiness skills.
- Engage employers and system leaders to ensure that today's young people will be prepared to join tomorrow's workforce.
- Design comprehensive service networks to prepare youth for successful futures in school, work and life.

OUR VISION

To alleviate poverty and promote equity through education and employment.

OUR MISSION

To create coordinated systems which promote the attainment of academic achievement, economic opportunity and personal success.

OUR IMPACT

Together with our partners, we have provided more than **225,000 opportunities** to young people since PYN was founded in 1999.

THE NEED TO ACT NOW

We are always fueled by our vision, especially in the face of last year's economic downturn and civil unrest, which affected everyone — our young people included. The data below demonstrates the severity and urgency of youth employment.



In 2020, the unemployment rate for 16- to 25-year-olds was the lowest it has been in 50 years, and then skyrocketed to the highest ever recorded.¹



The number of disconnected youth could grow to almost

25%.

wiping out a decade's worth of progress.²

1. Bureau of Labor Statistics, 2020
2. A Decade Undone, Measure of America, 2020

REIMAGINING YOUTH EMPLOYMENT

In Philadelphia, we were able to quickly respond in an unprecedented time for one very important reason: **we already had a strong and flexible system in place to support youth employment.** Even before the pandemic hit, we were already focused on helping young people learn and build skills, while increasing equitable access. Some highlights include:

- ✓ New and varied program offerings
- ✓ Supports to increase youth access and equity
- ✓ A larger network of service providers
- ✓ Trainings to enhance the quality of programs

SUPPORTING THE SYSTEM

PYN works to bolster our system by designing and monitoring programs; engaging individual, corporate, and non-profit partners; fostering fundraising efforts; and supporting providers and employers to achieve impact. Having a unified process and a network of service providers aligned to the same goals enabled a quicker transition, while offering choices and flexibility to both our partners and young people in order to continue to provide programming in a safe manner. In the last year, PYN has made several intentional shifts to expand and enhance our services to deliver education and employment programs citywide.

PREPARING FOR THE FUTURE OF WORK

Preparing young people for the future of work is going to be critical to our economic recovery. The pandemic has accelerated our shift; the future of work is now. Automation and technology were already influencing the economic needs and employer expectations for perspective employees.

As we respond to the disruption the pandemic created, our understanding of the work paradigm has changed forever.



PIVOTING WITH SPEED

In March when the COVID-19 pandemic hit, it was clear that our plans for WorkReady Summer needed to evolve. Having a strong and flexible system in place enabled us to move quickly in order to pivot to a virtual environment, while also maintaining safe on-site experiences for youth. The system that was in place enabled PYN to translate these pivots directly to our partners.

- ✔ We worked closely with providers to redesign program offerings.
- ✔ We supported employers who engaged youth virtually.
- ✔ We encouraged funders to recommit to summer jobs by launching the Philly Summer Jobs Fund.
- ✔ **as a result, more than 6,000 young people were offered virtual and in-person summer experiences.**

Redesigning WorkReady Summer:

- Connecting WorkReady Summer experiences with other career development opportunities, including the City's Out-of-School-Time (OST) programs
- Aligning experiences with PYN's Career Development Framework to offer more early, intermediate and advanced opportunities
- Expanding the reach of summer opportunities to youth who have the greatest need and least connection
- Support a variety of opportunities to meet the varied assets and needs of youth



OUR PATH TO WORKREADY SUMMER 2020



FEB

WorkReady app
launched after new
procurement process

MAR

**COVID-19 comes to
forefront.** PYN begins
evaluating possibilities
for summer 2020

MAY

Mayor Kenney announces
**redesigned WorkReady Summer
2020** with digital experiences, and
applications accelerate

INNOVATING TO EXPAND EQUITY AND ACCESS

Before our realities changed in March 2020, PYN redesigned our programs to increase access, promote equity and expand the variety of experiences available to young people. As part of our ongoing pursuit of equity, PYN began to dive more deeply into programmatic data to understand program participants who access and successfully complete programs. PYN aims to use this more detailed information to innovate services for young people, providers and employers to improve youth outcomes. Through generous philanthropic support, PYN has been able to move this work forward to make our entire youth workforce system more equitable.

Redesigning E³ (Previously E² Power Centers):



- Offering individualized education, employment and empowerment supports to young people to help prepare them to take their next step toward a career
- Expanding eligibility to 16- to 24-year-olds who are out of school or out of work, including those who do or don't yet have a secondary credential
- Expanding the network of providers throughout Philadelphia for increased access
- Providing rolling enrollment to youth so they can get started any time they need



JUN
WorkReady experiences start with rolling dates through July and into August

JUL
WorkReady application closes with roughly **20,000 applicants**, a program record high

AUG
WorkReady Summer programming concludes

SEP
Program Data Analysis and Evaluation

PROGRAM HIGHLIGHTS

IN 2019-2020, PYN AND PARTNERS PROVIDED
15,698 OPPORTUNITIES FOR YOUNG PHILADELPHIANS.*

6,110

youth participated in
 WorkReady Summer
 opportunities

605

youth participated in
 employment programs during
 the school year

522

year-round opportunities
 in E³ Power Centers before
 the transition from 3
 neighborhood-based centers
 to a citywide approach

THE INTERESTS AND NEEDS OF YOUNG PEOPLE ARE
 UNIQUE, SO OUR PROGRAMS MUST BE DIVERSE.

167

unique programs
 were operated
 throughout the year

85

provider partners
 offered programs

98%

of providers remained
 committed to offering
 programs after our pivot to
 include digital experiences

SAFETY HAS ALWAYS BEEN PARAMOUNT, AND
 ADDITIONAL EFFORTS WERE MADE TO PROVIDE SAFE
 OPPORTUNITIES FOR LEARNING.

85%

of summer experiences
 were digital, with 15%
 safely in-person



91%

of participants were satisfied
 with their WorkReady
 Summer experience



94%

of participants felt more
 prepared for their future
 after WorkReady Summer



IN A REALITY FILLED WITH UNCERTAINTY, THE ABILITY TO EARN
 INCOME IS MORE IMPORTANT THAN IT'S EVER BEEN.

A total of

\$4,206,538

was distributed to youth
 via wages and incentives

*Total number includes programs managed
 directly and in partnership with PYN

REIMAGINING PARTNERSHIPS

At PYN, we believe firmly that the collective approach has a greater impact, and that is why we trust, value and support the many partners that make our work possible. Last year, we prioritized working differently with our partners to ultimately provide even better experiences for our young people.



Photo taken: March 4, 2020

SUPPORTING OUR PROVIDER NETWORK

PYN relies on a vast network of youth-serving organizations, or program providers, to deliver services and experiences to our participants.

Last year, our provider network grew by more than **25%** as we welcomed **32 new partners** into the fold.

PYN offers a suite of tools, resources and training opportunities to help providers focus on their program and the young people, not the infrastructure or compliance details.

All of our provider partners share the common goal of helping young people develop the critical skills that will help them succeed in the future. No matter the program a young person participates in, we work together to ensure it is a quality learning experience. To this end, PYN facilitates ongoing professional development and coaching for our providers to ensure program quality in alignment with the Career Development Framework (see page 15) and other tools.

Last year, PYN supported providers through opportunities for continuous improvement, including a total of **165 hours** of trainings delivered to a total of **375 practitioners**.

“There are thousands of young people in our city who have so much talent, energy, and vision. We are the ones who will lose if we don't connect with them and give them an opportunity like WorkReady.” – Sharmain Mallock-Turner, Urban Affairs Coalition

“The most visible positive impact has been a wider range of Philadelphia youth being able to work with CSS for the summer. With the digital program, we can offer the opportunity to reach areas of the city that were previously unreachable. Building community and celebrating the growth & development of our youth is vital, whether in person or digitally.” – Jo Bradley, Catholic Social Services

“We were intent on engaging students in physical activities in their own homes that could impart real life lessons. That was a challenge for us and required lots of deliveries to participants' homes, but it was worth the effort.” – Bethany Houseman, Office of Community Empowerment and Opportunity

“We are proud to partner with PYN through our Virtual Development Experience. At Comcast, it is important for us to invest in the development of early career talent. These talented young adults bring innovation, enthusiasm and creativity to our workplace.”
– Jordan Snetman, Comcast

“I personally experienced my first summer job with one of PYN's providers at the age of 14 and know how valuable and successful the program is. Our team has empowered hundreds of promising youth over the years, many of whom have joined us full time and made invaluable contributions to the company.” – Susan Johnson, Impact and Sustainability at Wells Fargo

“Internships give students a chance to gain skills while they are still in school. During this critical time of uncertainty, we remain committed to providing the consistency these students need through our work with PYN.” – Patrick Eiding, Philadelphia Council AFL-CIO

ENGAGING EMPLOYERS TO TRAIN TOMORROW'S TALENT

Employers are vital to our work to prepare young people to become the workforce of tomorrow. Not only are we grateful that employers support our work, we appreciate their partnership in creating experiences for young people to learn about the world of work. Last year, even with the economic impacts of the pandemic, our employer partners remained committed to Philadelphia's young people.

In addition to contributing **\$618,500** to WorkReady Summer, employers also went above and beyond when programs pivoted by:

- ✓ Providing virtual internships so young people could still have opportunities for interaction
- ✓ Participating in virtual career panels to provide youth with an introduction to their field
- ✓ Being thought partners as we explore new ways to build a local, diverse talent pipeline

PARTNERING WITH INVESTORS TO ACCELERATE PROGRESS

The unprecedented pace of change and the magnitude of need requires collaboration beyond financial support. We work with our donors as thought partners to accelerate the impact on young people. Last year, we launched the Philly Summer Jobs Fund in partnership with the Summer Youth Employment Cabinet, a group of individuals, foundations and organizations that have come together to support summer jobs. The Fund was created to support opportunities for Philadelphia's young people to gain the skills and work experience they need to succeed in today's economy. Before the pandemic hit, and with renewed urgency after, the Fund was a way for community members, employers, investors, philanthropists to recommit and be #STILLin4WorkReady to ensure that every young person who wants a summer experience can have one.

Thanks to the Summer Jobs Fund, **\$1.9M in NEW funding** was secured for WorkReady Summer 2020. To see a list of donors and members of the Summer Youth Employment Cabinet, see workready.org/donate.



OUR PARTICIPANTS

Philadelphia's youth and young adults are all unique, but the one thing they have in common is that they are talented, and when given the opportunity, that talent grows. Data about our participants has demonstrated that:

ACCESS TO OPPORTUNITY IS CRITICAL

21%

said WorkReady was their first job

65%

were unemployed prior to WorkReady

PAIRING INCOME WITH FINANCIAL LITERACY TRAINING IS VITAL

53%

of participants use banking services, and we are working to increase access

84%

of participants learned about banking through WorkReady

WITH ACCESS AND SUPPORT, YOUTH CAN SUCCEED

78%

had support from a caring adult when applying and enrolling online

92%

of participants felt more prepared to set career goals and overcome challenges

“Even though COVID-19 prohibited a lot of things, I am grateful that I had another opportunity to work.”
– Jah-Naya

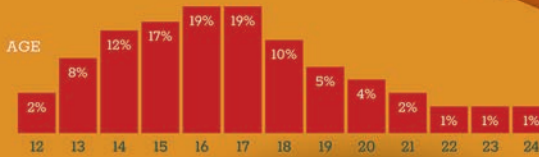
“It was a great experience, especially for students that want to be ready for their future careers.”
– Jessaroy

“It changed my life for the better. I think about my future daily.”
– Jasmine

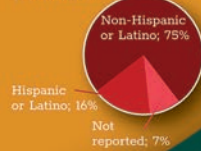
“The instructors engaged us on a real level as young men and women of the next generation of society.”
– Ahmad

PARTICIPANT DEMOGRAPHICS AS SELF-REPORTED:

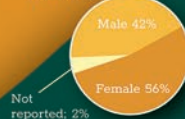
AGE



ETHNICITY

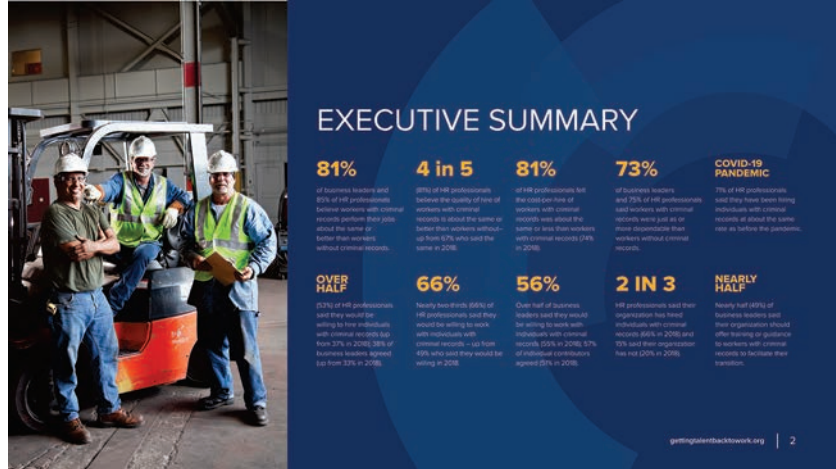


GENDER



RACE





UP TO \$9,999

- **Accenture**
- **Philadelphia Council AFL-CIO**
- AmazonSmile Foundation
- **Amersand Health Management, LLC**
- Archie D. & Bertha H. Walker Foundation
- Barra Foundation
- **Beneficial Bank**
- Bergen County's United Way
- **Bradley & Bradley Associates**
- **Brandywine Realty Trust**
- Bright Funds
- Bristol-Myers Squibb Foundation
- **British American**
- **Business Council of Greater Philadelphia**
- Charities Aid Foundation of America
- Fidelity Charitable
- Freebyrd Chicken
- **M&T Bank**
- Network for Good
- Rittenhouse Foundation
- **Stoneleigh Foundation**
- The William M. King Foundation
- United Way of Greater Atlanta
- **Univest Corporation**
- Vanguard Group

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- Gabrielle Wallack
- Robert Weaver
- JoAnn Weinberger
- Margo Williams
- Matthew Woodruff
- David Wright
- Richard Zimmerman

Bold denotes employers and corporate foundations who hire and/or host WorkReady summer work experiences.

OUR PROVIDERS

PYN is proud to partner with non-profit organizations throughout the city to provide opportunities for youth and young adults. Our 2019-2020 provider network included:

- Allegheny West Foundation (AWF)
- Asian Americans United (AAU)
- Asociación Puertorriqueños en Marcha (APM)*
- ASPIRA, Inc. of Pennsylvania
- Barbara and Edward Netter Center for Community Partnerships
- The Attic Youth Center
- Babash - Transition to Hope*
- BOOST CDC, INC.*
- Boys & Girls Club of Philadelphia
- Caring People Alliance*
- Catholic Social Services (CSS)*
- Center For Black Educator Development*
- Coded by Kids*
- The Collaborative
- Community College of Philadelphia*
- Community Education Alliance of West Philadelphia*
- Community Integrated Services (CIS)*
- Congreso de Latinos Unidos, Inc.*
- CORA Services
- Corinthian Community Center/ JAAMA Empowerment Program*
- The Council of Spanish Speaking Organizations, Inc. (Concilio)
- De La Salle Vocational School
- The District 1199C Training & Upgrading Fund*
- Diversified Community Services *
- Education Plus Health*
- EducationWorks*
- Educators 4 Education (E4E)
- Episcopal Community Services
- FNC
- Foundations, Inc.
- Free Library of Philadelphia
- Foundation
- Girls Inc. of Greater Philadelphia & Southern New Jersey*
- Gold Medal Karate Inc. (Zhang Sah) *
- Greater Philadelphia YMCA*
- Greater Philadelphia YMCA
- Community School George Washington High School*
- Greater Philadelphia YMCA
- Community School Kensington Health Sciences Academy*
- Guiding Stars An Anthony C. Richardson Lee Foundation*
- Harcum College Upward Bound*
- Health Promotion Council*
- Independence Seaport Museum*
- Indochinese American Council (IAC)*
- The Information Technology and Society Research Group (ITSRG) of Temple University
- JEVs Human Services*
- Kensington Soccer Club*
- The Lighthouse, Inc.*
- LINESC Philadelphia
- Lutheran Settlement House (LSH)*
- Management and Environment Technologies, Inc. (MET)
- Mural Arts Philadelphia (Mural Arts)
- New Foundations Charter School
- Norris Square Neighborhood Project*
- Office of Community Empowerment & Opportunity (CEO)*
- OIC Of America*
- One Bright Ray, Inc. (OBR)
- Pathway Forward*
- The Pennsylvania School for the Deaf
- People for People, Inc. (PPP)
- Philadelphia Academies, Inc.
- Philadelphia Chinatown Development Corporation (PCDC)*
- The Philadelphia Education Fund
- Philadelphia Energy Authority (PEA)
- Philadelphia Parks & Recreation
- Philadelphia Technician Training Institute (PTTI)
- Project HOME*
- Public Health Management Corporation (PHMC)
- Resources for Human Development (RHD)
- Bankofa Freedom Academy Charter School
- The School District of Philadelphia*
- School District of Philadelphia Office of Career and Technical Education
- Somerset Academy Early Learning Center*
- Southeast Asian Mutual Assistance Association Coalition (SEAMAAC)*
- STEAM Works Studio*
- Steppingstone Scholars*
- Sunrise of Philadelphia, Inc.*
- Temple University - Of The Commonwealth System of Higher Education*
- Temple University Community College Collaborative*
- Temple University's Center for Community Partnerships
- The Workshop School
- To Our Children's Future With Health, TOCFWH Inc.*
- TriZen
- The Trustees of the University of Pennsylvania*
- United Communities Southeast Philadelphia*
- Urban Affairs Coalition
- Urban Affairs Coalition Youth Outreach Adolescent Awareness Program (YO-ACAP)*
- Urban League of Philadelphia
- Valley Youth House
- VietLead*
- The Village of Arts and Humanities*
- West Philadelphia Financial Services Institution (WFFSI)*
- Youth Advocate Programs Inc. (YAP)

REFLECTING BACK

As we rebound from the disruptions of 2020, we recognize the significant progress made toward our strategic plan, *2020 Vision*. We are applying the many lessons learned to ensure young people participate in an equitable recovery. While we are evolving to meet the immediate needs in front of us, the work and the learning from the last three years has already had a great impact and will continue to do so.

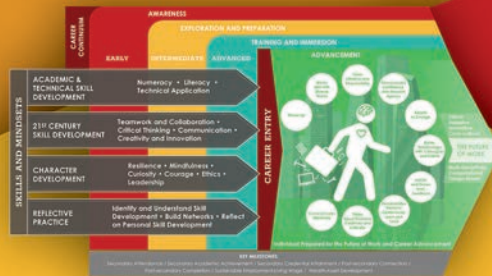
A few of the key takeaways and highlights from the last three years includes:

- ✓ Building a strong and flexible system to increase the quality and number of education and employment opportunities for young Philadelphians
- ✓ Developing tools and resources for better partner coordination and program outcomes
- ✓ Applying lessons learned from pilots to provide customized supports based on individual needs to help more youth succeed in our programs
- ✓ Supporting young people facing additional barriers differently as a priority for increased access and equity
- ✓ Creating virtual experiences for young people to learn work preparation skills
- ✓ Working with partners to think differently about including youth and young adults in broader workforce development efforts
- ✓ Continuing to engage with communities beyond our own to share and gain best practices to support young people

CAREER DEVELOPMENT FRAMEWORK

Our Career Development Framework (CDF), a tool developed as part of our *2020 Vision*, illustrates the youth workforce development system. The CDF continues to help guide conversations about how we can work together to create opportunities for youth to develop their natural talents and practice skill-building through experience. We use the CDF to:

- ✓ Facilitate continuous improvement training for youth-serving practitioners
- ✓ Coordinate with citywide strategies for workforce development to include youth and young adults
- ✓ Engage employers in opportunities to provide early, intermediate and advanced opportunities for young people



LEARN MORE ON [PYNINC.ORG](https://pyninc.org)

REIMAGINING OUR PATH FORWARD

LOOKING AHEAD

In the coming year, we are prioritizing our work to increase equity, enhance experiences and engage partners differently. The following priorities are not exhaustive of our work but are intended to provide a sense of how we are working to equip our young people to rise to the occasion in these unprecedented times.

SYSTEM ENHANCEMENTS

We are working on expanding opportunities to prepare young people for the workforce and offering new supports to help them succeed.

- ✔ We are working to reimagine career pathways by expanding the continuum of opportunities available to young people in alignment with the CDF. We aim to **build out more advanced opportunities for career preparation and expand the number of young people who can benefit from incentivized opportunities throughout the year.** We are working with partners to determine the skills needed and hone the curriculum to help youth disconnected from school and work to get connected to career pathways in the healthcare and technology sectors.
- ✔ In August 2020, PYN launched the Opportunity Youth Relief Fund to address the immediate and pressing needs of Philadelphia's opportunity youth and alleviate the additional stresses that have developed as a result of current events. This flexible fund, made possible in partnership with The Hive, supports a variety of needs including assistance for food, transportation, housing, technology equipment, and mobile/wireless connectivity, **ensuring young people can connect to and remain on education and employment pathways.**



Photo taken: February 24, 2020

PROGRAMMING SHIFTS

In these uncertain times, we are certain that we will continue providing opportunities for young people to develop skills and hone their natural talents. PYN recognizes that even with the increased opportunities created for youth this year, so many more young people, particularly those who are disconnected, could benefit from employment preparation programming. Providers citywide continue to seek ways to increase their capacity to meet this need.

- ✓ We will continue the learnings from WorkReady Summer 2020 and offer a **hybrid approach** to our programs.
- ✓ In addition to WorkReady Summer, PYN is offering **WorkReady School-Year** (by invitation only) and year-round programming through **E³** services. PYN is also training partner programs, including the City of Philadelphia's **Out-of-School-Time** programming.
- ✓ In partnership with providers and youth workforce system leaders, PYN has set out to increase the number of young people served through E³ services to **1,000** annually.



NEW PARTNERSHIPS

Throughout the year, PYN is working to expand opportunities to engage employers differently in our work to build a talent pipeline.

- ✓ We are working to increase employer engagement in our summer programs, with a greater variety of options. Employers will be invited to participate in **mock interviews, resume review, job shadowing, industry tours and career panels**.
- ✓ More broadly, we are working with employers to **better understand local talent needs and partner with practitioners to ensure youth are developing the necessary skills**. We know our young people are talented, and together we can equip them to be the diverse local talent pool that we will need in our economic recovery.



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LEADERSHIP TEAM

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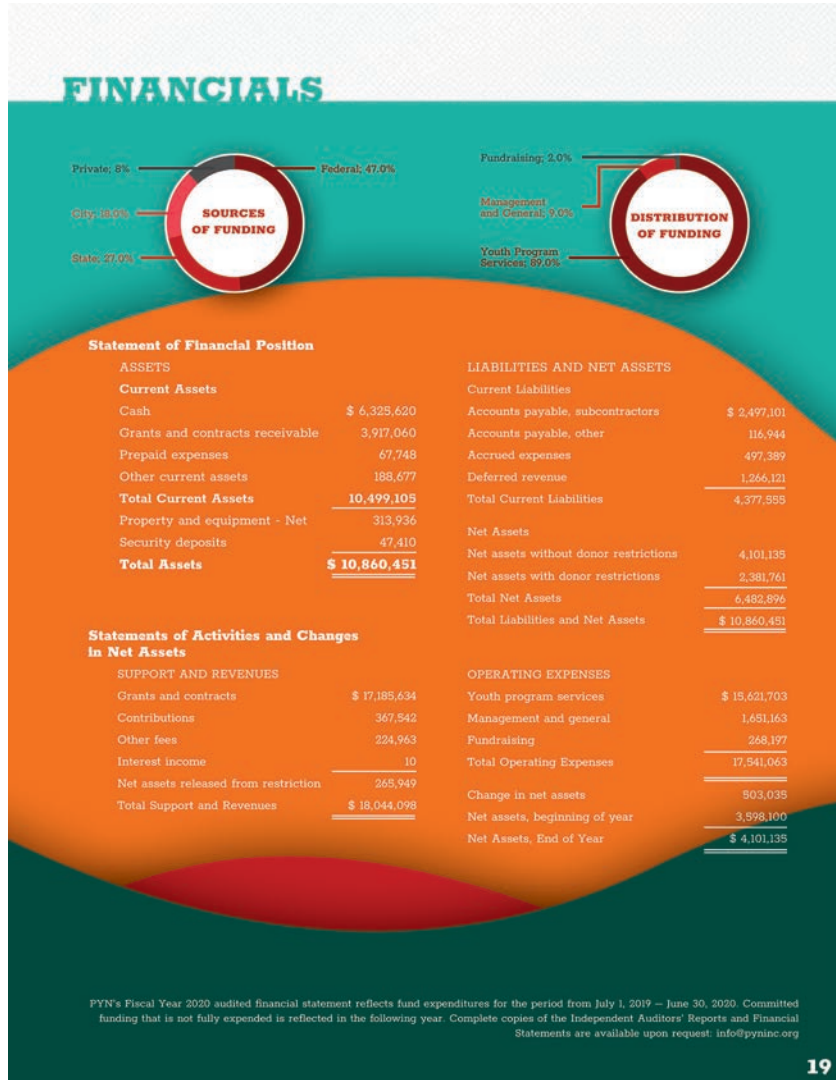
ROBERT WEAVER
Chief Risk & Security Officer, Blank Rome LLP

JOANN WEINBERGER
National Trainer, Leadership Excellence Academies

“I love being part of a community that understands that in order to address some problems that happen in the city we really need to get to the root of some systemic threads that tie us together collectively. If we build opportunities for young people to engage in learning about what they find passionate, their interests, their purpose, what they can do well, that is how we can all collectively lead a positive change and I believe that PYN is doing that.” – Jane Shore, Revolution School of Thought and PYN Board Member

“Deloitte supports youth experiences because we know the positive impact it provides our future adult citizens. The opportunity for young adults in our community to get exposure to career choices and area businesses is vital for regional growth and health. PYN has been a leader in this area and has demonstrated innovative solutions during these unprecedented times.” – Hayward West, Deloitte Consulting LLP and Member of PYN's PYN Outcomes and Impact Committee

“More than ever, this past year young people needed opportunities to earn money, build skills, and plan for their future, while employers struggled to keep their doors open. Through it all, PYN stayed the course, using new technology to help young people navigate a workplace that has been completely transformed.” – Jeff Brown, Brown's ShopRites and PYN Chair



MAKE AN IMPACT

As our work moves forward, PYN is striving to help young people reimagine what is possible as they prepare for successful futures. There are many ways that you can make a significant impact and help PYN prepare thousands of young people to succeed in tomorrow's workforce.



LEARN
more about our programs
and services



DONATE
to support our work



WORK WITH US

- Sponsor or hire youth to create more experiences
- Meet your short- and long-term talent needs
- Create opportunities to engage your employees



CONNECT
to join the conversation
and stay in the know
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GET STARTED

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PYN's Career Development Framework

What is it?

PYN's Career Development Framework provides a unified approach to skill development, career readiness, career retention and advancement, bridging the career pathway needs of the emerging workforce with the expectations of employers.

The Framework depicts a flexible pathway that varies based on the developmental needs of each young person, beginning with **awareness**, proceeding through **exploration and preparation** and **training and immersion**, and culminating with **employment and advancement**. Specific milestones serve as indicators that young people are on a path to success, including secondary credential attainment; post-secondary connection and self/family-sustaining employment.

Why is it unique?

There are many different frameworks in existence, each individually depicting quality youth development, career continuums, and/or career readiness in isolation. We chose to develop *this* Framework because it uniquely offers a full picture of career development, from early awareness through career retention & advancement and marries the most up-to-date research in youth development with employer expectations.

Our Framework shifts the focus from individual, and often disconnected, opportunities to an intentional continuum of experiences that support long-term career planning and advancement.

Our Framework allows all stakeholders to see their role, and vested interest in, building an equitable career pathway system.

How can you use it?

Our Framework can be used in a variety of ways, depending on one's needs and goals. The Career Development Framework:

1. Creates a shared understanding among **policymakers, funders, intermediaries, educators, employers and practitioners** of what an equitable, high-quality career pathway system entails.
2. Supports **practitioners** in their efforts to increase the scale and quality of career development activities they offer within their programs and schools.
3. Helps **employers** to identify and take on a broader set of roles in the successful career development of young people, resulting in the talent pipelines they need to support successful businesses and industry.
4. Assists **funders** in aligning their investments with their desired impact on the career pathway system and understanding how their investments fit within the broader career development framework.
5. Provides **policymakers** with research-backed information to inform their decision-making processes and efforts to build a sustainable and equitable career pathway system.

Career Development Framework: Components

Individual Prepared for the Future of Work and Career Advancement:

This portion of the Framework (*in green*) depicts the goal of our work, both from a participant development point of view and an employer demand perspective. The individual prepared for the future of work and career advancement describes a person who is poised for personal and professional success and meet employer needs. These skills and attributes are research based and have been vetted with employers.

Skills and Mindsets:

The skills and mindsets portion of the Framework (*gray arrows*) articulates what a person needs to develop to be prepared for the future of work and career advancement. These skills and mindsets are developed on a continuum of early, intermediate and advanced opportunities.

Career Continuum:

The career continuum portion of the Framework (*red, yellow and blue bands*) define the phases of career development and align programmatic experiences with developmental phases.

- **Awareness:** Build awareness about the variety of careers and career pathways available and the role of post-secondary education
- **Exploration and Preparation:** Learn through engagement in targeted work-based experiences and solidify the foundational skills to succeed
- **Training and Immersion:** Develop career-specific skills and engage in authentic career experiences
- **Advancement:** Continue to learn, grow, and develop along a career pathway

Career Entry:

Career entry is a step in the framework, a moment in time. Career advancement is a lifelong journey.



A YEAR LIKE NO OTHER
WORKREADY SUMMER

2020



Last spring, when the pandemic hit and the subsequent shutdowns started, everyone felt the effects of the uncertainty, including Philadelphia's young people. But in a time when so many doors were quite literally closing, the Philadelphia Youth Network (PYN) and WorkReady partners throughout the city stepped up for our city's youth, reimagining summer programming so that more than 6,000 could participate in paid work and work-related experiences. This report summarizes that **process**, reports on **outcomes**, highlights **innovations**, and shares **lessons learned** that will guide WorkReady summer offerings in 2021 and beyond.

PLANS MEET REALITY

Prior to the pandemic, WorkReady was well positioned for another successful summer. Millions of dollars had been raised from government, employers, and foundations to support paid experiences for young Philadelphians. A record number of 80 community-based provider organizations were set to manage summer activities, an all-time high, including 35 that were participating for the first-time (43% of the total). Most importantly, thousands of young people were eager to work, earn, and learn.

Nevertheless, as the realities of the pandemic became clearer, PYN and WorkReady partners wondered if it would be possible to provide safe and effective options. And if this were feasible, then what could acceptable approaches possibly look like? *These were the questions that dominated conversations and deliberations at PYN in March and April.*



Why Youth Employment Matters

Research shows that working during the high school years can have many benefits, including:

- Boosting academic performance
- Increasing long-term wages and employment
- Augmenting family income
- Promoting safer communities



THE URGENT NEED TO MOVE FORWARD

In the wake of the pandemic, the nation's youth unemployment rate surged from 7.7% in February to 27.4% in April (Bureau of Labor Statistics, 2020). Further, youth living in low-income urban communities are only about half as likely to find jobs as their suburban peers. Given these factors, there was a clear sense of urgency about saving the 2020 program.

But in order to do that, it would be necessary to do in weeks what PYN and its partners would normally do in months or even years. In response, in late March and April, PYN redeployed staff, completely retooled youth experiences, and reengineered the system that would be required for implementation. One of the most important steps was consulting extensively with all WorkReady partners, including youth-serving provider organizations, investors, employers, city agencies, and young people.

After four weeks of intensive analysis, planning, and discussions, PYN leaders emerged with what they believed was a viable approach. City officials reviewed these recommendations, and on May 5, Mayor Kenney announced the launch of the redesigned 2020 WorkReady summer program.



IMPLEMENTATION OPTIONS

The 2020 summer redesign gave funded provider organizations several options for offering work-related, income-generating experiences for youth:



DIGITAL EXPERIENCES

made available to providers by PYN in which students worked independently and at a self-directed pace to earn incentive payments up to \$595 by completing online tasks in three modules: financial literacy, career exposure, and digital literacy.



VIRTUAL EXPERIENCES

which featured real-time, online interactions between students and adult supervisors, including internships, service learning, and college and career exploration. Participants could earn either incentives or wages (\$8.75-\$11/hour), depending on program structure and types of experiences.



BLENDED APPROACHES

including a mix of digital tasks complemented by virtual interactions led and supervised by adults, for which participants could earn either incentives or wages.



SAFE IN-PERSON EMPLOYMENT

mostly wage-bearing positions to staff and support the Department of Parks and Recreation's summer camps and daycare centers.

Provider Highlights

The Office of Community Empowerment and Opportunity offered digital programming for students in two age-ranges, augmented with virtual programming on Fridays which focused on connecting students, building relationships, and offering a variety of engaging, real-world activities like cooking, baking, and gardening.

VietLead developed wage-based virtual internships with partner organizations combining 17 hours of online work and 3 hours of professional and personal development to check-in with participants and trouble-shoot any on-the-job issues or concerns.

West Philadelphia Financial Services Institute conducted their program via Zoom with interns grouped in "mini-departments" – finance, marketing and communications, operations, and research and development – overseen by college coordinators focused on the interns' personal and professional development.

Mural Arts transformed its summer service learning program from producing large-scale public art to interactive sessions between students and professional artists to help youth develop their artistic practice and voice.

The Urban Affairs Coalition managed 120 worksites for more than 1,000 young people, including approximately 80 who worked onsite in

INNOVATIONS

Provider Innovations

WorkReady partners produced a number of innovations borne of necessity in the pandemic, many stemming from creative uses of technology.

Administration and Management. Provider organizations reported that **virtual recruiting** was often more efficient and effective than on-site presentations. Program managers also indicated that, once they mastered the technology, they were able to use new techniques to **organize working groups, monitor multiple student activities, and maintain regular one-on-one contact.**

Program Content. Providers were able to engage professionals from many backgrounds, including many **guest speakers**—e.g., a CNN White House correspondent and state-level elected officials—who would have been much harder to schedule for in-person presentations. Further, programs were able to **connect students to employers without regard to geographic barriers**, and to organize **virtual field trips** to locations that would otherwise have been logistically impossible. Providers also found creative ways to engage students in **hands-on learning** like gardening, cooking, and art-making by delivering needed supplies and tools and providing online instruction. Some even instituted **socially-distanced culminating celebrations**, including drive-through opportunities for students and their parents to receive certificates of completion, T-shirts and mugs, and box lunches

Systems Innovations

The Philly Summer Jobs Fund. Despite the challenges of 2020, PYN was able to introduce a new approach to fundraising for summer programming by launching the **Philly Summer Jobs Fund**. With support and guidance from the **Summer Youth Employment Cabinet**, a coalition of leaders representing government, foundations, employers, educators, and youth-focused nonprofit organizations, the fund is designed to expand youth employment opportunities for as many young Philadelphians as possible. Remarkably, in its inaugural year **the fund raised almost \$2 million in new dollars for WorkReady.**

Incentives-Based Payments. Because PYN's programs are centered on learning, an incentive-based payment was already in use for appropriate models in addition to hourly wages. With incentives tied to project-based benchmarks, this compensation structure was a good fit for the digital experiences launched in summer 2020. Having the infrastructure in place already for this payment method allowed PYN to offer compensation at scale quickly after the pivot. Digital and virtual incentive-based approaches have the potential for expanded use by increasing the numbers of youth who can participate in WorkReady programming and also by providing important learning opportunities that complement and supplement both in-person and remote experiences.

"We quickly realized that online recruiting was more efficient and more targeted than traveling around the city visiting classrooms and lunchrooms. We were doing weekly online recruiting sessions with students from all over, who were truly interested."

- Samantha Lyons, West Philadelphia Financial Services Institute

"We were intent on engaging students in physical activities in their own homes that could impart real life lessons. That was a challenge for us and required lots of deliveries, but it was worth the effort."

- Bethany Housman, Office of Community Empowerment and Opportunity

"Our team came up with some really great ideas for students, e.g., working with professional graphics designers to develop materials on Black Lives Matter and COVID safety protocols, as well as producing and administering surveys to gather data to promote voter registration."

- Charmayne Thompson, Urban Affairs Coalition

RESULTS AND OUTCOMES

Despite the unprecedented challenges, more than 6,000 young people enrolled and participated in 140 WorkReady 2020 summer programs offered by 80 provider partners and supported by \$14.5 million in investments from government, employers, foundations, and individuals. WorkReady participants earned more than \$4.2 million in wages and incentives. Importantly, these activities constituted the first paid work experiences for more than 20% of participating young people.

Approximately 85% of these experiences were online (digital, virtual, or blended), and the remaining 15% was in-person programming. Virtual programming also enabled young people to share the experiences of many professionals during the pandemic, and to learn how to navigate these new workplace norms.

Most participants were pleased with their experiences and found their programs to be beneficial. For example, according to follow-up surveys, more than 90% of 2020 WorkReady summer participants:

- Expressed satisfaction with the overall program
- Developed clearer ideas about careers and a sense of the future
- Built connections to caring adults

In addition, more than 80% stated that they became more aware of their strengths and interests, had opportunities to practice and hone leadership skills, and expanded their financial literacy, including financial products and policies that effect their communities.

"I had never done a Zoom meeting, or worked with friends online, or thought I could talk to adults, until I did."

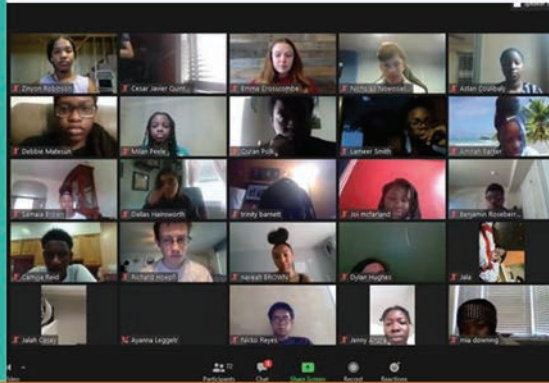
- 2020 WorkReady Summer Participant

"I'm excited about getting that workplace experience. I know it's a little different because it's all online, but I still feel like it will help me get a new perspective on things."

- 2020 WorkReady Summer Participant

"We support summer experiences because we know the positive impacts they provide our future adult citizens. The opportunity for young adults in our community to get exposure to career choices and area businesses is vital for regional growth and health."

- Hayward West, Deloitte Consulting LLP
WorkReady Employer Partner



LESSONS LEARNED: STRENGTHENING WORKREADY FOR SUMMER 2021 AND BEYOND

While innovative thinking and dedication by WorkReady partner organizations produced a remarkably successful 2020 program, looking ahead it is clear that improvements are needed in several important areas:

STREAMLINING ENROLLMENT

Probably no other area was as frustrating for WorkReady partners than the youth enrollment process. Although the initial application process was relatively easy, the multi-step procedures needed to meet state and federal employment requirements proved to be too challenging for many would-be participants, and also caused headaches for provider organizations supporting young peoples' enrollment efforts. Given these factors, **this year's process will be more streamlined and better coordinated to ease the burden on both participants and providers.**

STRENGTHENING ACCESS AND CONNECTIVITY

Most providers reported that at least some of their young people had technology-related problems, i.e., lack of computers and printers, unreliable or unstable internet access, or inadequate knowledge about how to complete required procedures online. While many of these issues are beyond the capacity of WorkReady to address—e.g., the lack of broadband coverage in several areas of the city—**PYN will train young people on how to complete needed forms, including enlisting them to help add clarity.** Further, PYN will work with WorkReady partners to the extent possible to address systemic barriers young people face, particularly with regard to access and connectivity, digital literacy, and access to vital documents.

INCORPORATING AND BUILDING ON THE CREATIVITY OF WORKREADY PROVIDERS

As noted earlier, many WorkReady provider partners were remarkably creative and innovative in developing their own virtual approaches. **These techniques—both administrative and programmatic—will be documented and shared broadly not only with youth-serving organizations in the City but around the country as well.**

IMPROVING RESPONSIVENESS AND CUSTOMER SERVICE

Understandably, provider organizations' and would-be youth participants' needs for guidance, clarifications, and answers to questions were substantial in preparing for the 2020 program, and often overwhelmed PYN staff capacity to respond. **PYN will adopt practices that result in fewer questions, shorter wait-times and easier access by providers and participants to needed information.**

SUPPORTING EMPLOYERS IN DEVELOPING AND OFFERING VIRTUAL INTERNSHIPS

In 2020, employers continued to step up by making significant financial contributions, but many could not manage the adjustments needed to offer virtual internships as they focused on the reality that they needed to adapt their business operations in response to the pandemic. To promote greater participation in 2021, PYN will work with private sector partners to **develop an employer toolkit featuring a variety of resources designed to expand internships and workplace experiences.**

KEEPING RELATIONSHIPS AT THE CENTER

Safety concerns meant that only about 15% of WorkReady 2020 summer experiences were in-person, with the balance being virtual and/or digital. This imbalance presented challenges to relationship-building between youth and adults, since even the best remote programming can rarely match positive, in-person interactions. **Safety remains paramount as we plan for the 2021 summer, when we aim to significantly increase the number of appropriately structured, in-person experiences. But regardless of the program format, we will ground the experiences of WorkReady participants in high-quality interactions with caring adults trained in youth development principles who can serve as mentors, advisors, and career guides.**

CONCLUSION

The economic devastation caused by the pandemic makes it more important than ever to create opportunities for young people to safely work, earn, and learn. The Great Recession of 2009 demonstrated conclusively that the most significant burdens of economic downturns fall on younger workers, particularly young adults of color, and that the scarring effects of those hard times can last for years if not decades. Therefore, young people who are now preparing for and/or entering the workforce are likely to experience equivalent or even greater hardships as the nation faces months if not years of limited growth associated with the pandemic.

Philadelphia's history of creating high-quality opportunities for our young people — including the agility, creativity, and innovation demonstrated by so many WorkReady partners during the 2020 summer — offer hope that we are up to this challenge. Let's continue to pull together, investing in our young people and creating as many high-quality opportunities as we possibly can—for their sakes, and for our own.





Learn more at WorkReady.org or contact PYN:
 Stephanie Gambone, Executive Vice President
sgambone@pyninc.org

Ms. WILSON. Thank you, Ms. Fulmore-Townsend.
 And we will now hear from Mr. Showalter.
 Mr. Showalter.

**STATEMENT OF THOMAS SHOWALTER, SENIOR ADVISOR,
 NATIONAL YOUTH EMPLOYMENT COALITION,
 WASHINGTON, DC**

Mr. SHOWALTER. Good morning.

I am going to begin with the voices of young adults and a practitioner connected to programs authorized by the Workforce Innovation and Opportunity Act.

“Being part of this program really changed how I saw myself. Just having support from other people made me want—made me feel more important and more worthy of success.” —Bethany.

“Staff give us opportunities for jobs. They tell us who is hiring. They talk directly with employers at real jobs. This is just a steppingstone really.” —De’Mauria.

“During the pandemic we strive to keep engaged with the youth who are able to participate. We were very fortunate to identify a few tribes able to work with youth and provide safe work sites, allowing youth to gain basic skills and work experience.” —Christina.

As Members consider updating this legislation, now is a good time to consider the job prospects of today’s young people. Chairwoman Wilson, Ranking Member Murphy, and Members of the Subcommittee, I am so grateful to be here with you today. My name is Thomas Showalter. As the Chairwoman said, I am a senior advisor at the National Youth Employment Coalition. I am also and a senior fellow at the American Youth Policy Forum and a consultant. In the past, I served Chairman Edward M. Kennedy and Tom Harkin on the staff of the Senate Health, Education, Labor, and Pensions Committee.

I am from Stillwater, Oklahoma, where I benefited from a wide array of jobs in my teenage years: Scooping ice cream, walking dogs, plating seeds in a botany laboratory, plus numerous work study jobs and externships while I was in college. These are the kind of early work experiences that all young people need and that we can work together to make possible.

As a Nation, we desperately need a new vision for the transition to adulthood. In the years following World War II, public policies mapped such a vision. Radical disparities largely based on race were always present. But these policies defined a path into the middle class and beyond for millions, including my parents who grew up in those postwar years.

Most Americans are millennials, like yours truly, Generation Z, or younger. We face a long-term decrease in good jobs, a scarcity of career pathways for people without bachelor’s degrees, and a youth labor market that no longer bounces back from recessions. In short, we need more good jobs and more pathways to good jobs, and we need them now. Today as many as one in three 16-to24 year olds are disconnected from education or employment. That is 10 million people. I appreciate the Ranking Member for alluding to how low labor force participation rates are now.

These opportunity youth, as they are often called, are seeking opportunities and offer an opportunity to our Nation. Many have already been touched by schools, the child welfare and juvenile justice systems, or behavioral health programs but they need a little more help getting connected to education or employment. These are the young people targeted by WIOA programs. Research tells us that opportunity youth want to work, wish to attain higher education, and take responsibility for their future achievement.

Even before the pandemic, there were huge gaps in who becomes disconnected by race, by geography, by socioeconomic status. The good news is that it is possible to prevent and repair youth disconnection in the United States because some places are doing it. WIOA reauthorization can begin to articulate a new vision for the

transition to adulthood. From decades of research and practice, we know what strategies are effective for connecting all kinds of young people to school and work. Chekemma alluded to many of these.

In my written testimony I propose an alternative way to think about the WIOA youth in-school youth, out-of-school youth distinction and I agree with the Chairwoman we need better pay and education for youth workers across the system.

In a knowledge economy, social capital, access to mentors, executive skills, and an entrepreneurial mindset are critical for upward mobility, but programs funded by WIOA and other Federal programs do not prioritize. The law can also do more to drive equity by race, by gender, by ability and to ensure that lawmakers target resources to those who most need services. We can do this. We have done this before. We can do it again.

I will close with some words from Emmanuel. I call YouthBuild my stepping stool, the biggest step I have ever taken in a positive direction. YouthBuild helped me realize that my neighborhood, my community is more than just where I live. My community is the world.

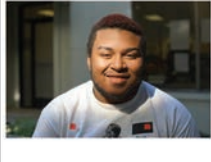
Thank you. I look forward to your questions.

[The prepared statement of Mr. Showalter follows:]

PREPARED STATEMENT OF THOMAS SHOWALTER

THOMAS SHOWALTER, NATIONAL YOUTH EMPLOYMENT COALITION
House Education and Labor Committee
Subcommittee on Higher Education and Workforce Investment
Hearing on "Workforce Innovation and Opportunity Act Reauthorization: Creating Opportunities for Youth Employment"
May 13, 2021

Name	Quote	Photo
Bethany R. (Civicorps)	Being part of this program really changed how I saw myself...Just knowing that I'm going to a building where people actually care, they actually want to help me...Just having that support from other people made me want to support myself, made me feel more important and more worthy of success.	
Emanuel M. (YouthBuild)	I call YouthBuild and AmeriCorps my "stepping stool," the biggest step I have ever taken in a positive direction. YouthBuild helped me realize that my neighborhood, my community is more than just where I live. My community is the world.	
Amir M. (YouthBuild)	I would love to open up my own company later down the line. I am helping my community every day. It feels good.	

De'Mauria A. (Opportunity Youth United)	These programs, not only do they help youth to get job skills and make money while doing it but also it prepares you...[Staff] give us opportunities for jobs. They'll tell us who's hiring. They talk directly with employers at real jobs so this is a place where you can - this is just a stepping stone, really.	
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These are voices and faces of young people connected to programs authorized by this Committee. As Members consider legislation to update federal policies pertaining to youth employment, now is a good time to consider the labor-market prospects of today's young people.

I am Thomas Showalter, a senior advisor at the National Youth Employment Coalition, which represents all kinds of organizations that connect young people with education and employment, largely community-based service providers and workforce development boards. I am also a senior fellow at the American Youth Policy Forum, which educates policymakers on best practices, policies, strategies, innovations, and research on positive youth development approaches and effective education, youth, and workforce policies. During my career I have worked on K-12, higher education, and workforce policy matters, including on the staff of the Senate Health, Education, Labor, and Pensions Committee for Chairmen Edward M. Kennedy and Tom Harkin.

Youth Employment Before the Pandemic

Most Americans are millennials (those born between 1980 and 1996), Generation Z (those born between 1997 and 2012), or younger. These generations are the most diverse generations - in every way - in the history of the nation. Connecting these young people with a good education, early work experience, opportunities to find purpose and contribute to their communities, and meaningful employment will determine our nation's future.

Prior to the COVID-19 pandemic, young workers were disproportionately represented among the low-wage workforce. Martha Ross and Nicole Bateman [found in 2019](#) that young people ages 18-24 account for 24% of all low-wage workers. That young workers earn low wages is not a historical anomaly. What is new is the [decrease in good jobs](#) that create upward mobility, a widening gap between those trapped in the low-wage workforce and the high earners in knowledge-economy jobs. Coupled with the rising cost of higher education, this attacks the ability of young low-wage workers to increase their skills, achieve economic self-sufficiency, and support family members (children, grandparents, and others for whom they care).

The environment will not become easier for young people. It's estimated that [65% of all jobs](#) now require some postsecondary education, up from 28% in 1973. Those without bachelor's degrees face a [scarcity of career pathways](#) for [young people without such credentials](#). Young workers without a post-secondary degree receive median hourly wages of \$8.55 and median annual earnings of \$12,700. In 2019 the poverty rate for youth ages 18 to 24 was [13.3 percent](#), well above the rate of 10.5 percent among all adults.

In recent downturns, the economy has not "bounced back" for young people. The labor-force participation rate of young adults age 16-24 has dropped - and never recovered - after each of the past four recessions. It now hovers [around 55 percent](#), the lowest levels since the 1960s.

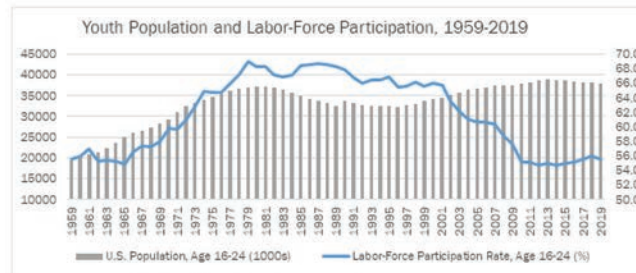


Figure courtesy of National Youth Employment Coalition

After years of focused effort, more than [4 million 16- to 24-year-olds](#) remained neither in school nor employed before the pandemic. These young people are often called "opportunity youth," because they are seeking opportunities and offer an opportunity to our nation. These are the young people targeted by WIOA programming.

According to the findings of the [Opportunity Road report](#), opportunity youth are looking for work, even more wish to attain higher education, and the vast majority take responsibility for their future achievement. Overall numbers hide huge gaps, [according to Measure of America](#): before the pandemic Native American youth had a disconnection rate of 23.4 percent, Black young adults 17.4 percent, Latino young adults 12.8 percent, white young adults 9.2 percent, and Asian young adults 6.2 percent.

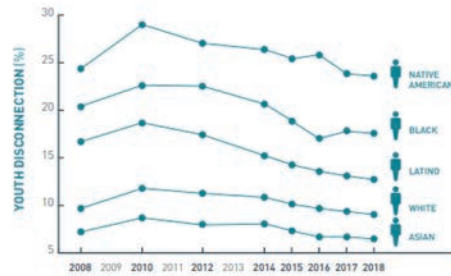
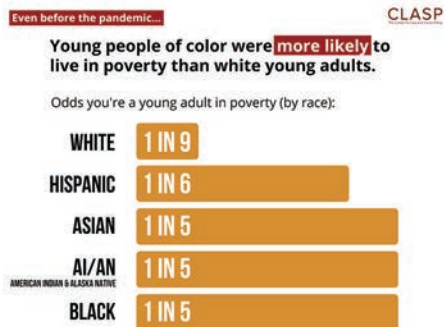


Figure courtesy Measure of America

Similarly, different parts of the country show huge disparities. In areas termed [“rural opportunity deserts”](#) by Measure of America, disconnection rates among young people reach an astonishing 25.5%. In opportunity-rich urban and suburban areas, [disconnection rates are 6.6% and 7.5%](#), respectively. While not as low as nations like Japan (3.1%), these rates are comparable to nations like Denmark and Austria. Clearly, it’s possible to prevent and repair youth disconnection in the United States.



Community Population Survey, Annual Social and Economic Supplement, 2018. #WhyWeCantWait
Figure courtesy of the Center for Law and Social Policy

The Pandemic's Effects

As with all other Americans, young people were affected in 2020 by the [triple pandemic](#) of a public health crisis, an economic collapse, and a racial reckoning. From spring 2019 to spring 2020, unemployment among young adults [spiked from 8.4% to 24.4%](#). As many as [one in three young adults](#) may now fall into the opportunity youth group, or over 10 million people. Among young people who were unemployed in July 2020, [over half](#) were out of work due to the pandemic.

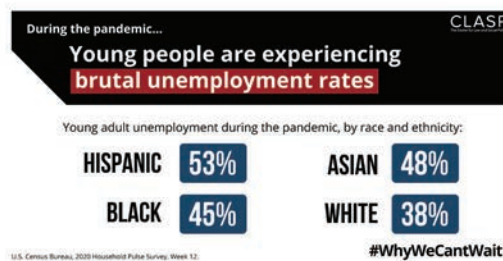


Figure courtesy of the Center for Law and Social Policy

Workforce agencies and programs that ran summer youth employment programs adapted remarkably to the abrupt pandemic changes as documented by [the National Youth Employment Coalition](#) and [Aspen Forum for Community Solutions](#), showing how programs created virtual opportunities for youth across the nation.

We will be feeling the ripple effects from these disruptions for years to come. The pandemic has radically changed where and how young people live. For the first time since the Great Depression, [a majority of American young adults](#) are living with their parents. Meanwhile, a [survey by Schoolhouse Connection](#) estimates that schools have identified and enrolled 420,000 fewer children and young people experiencing homelessness so far this school year; 1.4 million school-age young people experiencing homelessness may be un-identified and unsupported by their school during the pandemic. These young people have literally fallen through the cracks in our systems.

We Need a New Vision for the Transition to Adulthood

In the years following World War II, public policies mapped a vision for widely shared upward mobility: publicly backed loans made home ownership widely available, allowing Americans to accrue wealth; the federal government stimulated demand in high-wage sectors of the economy; states kept prices for students low at public institutions of higher education; and localities began focusing on raising the quality of public K-12 schooling. Federal initiatives like Job Corps and Head Start were launched with ambitious plans to ensure all young people were brought onto the path to the middle class. Radical disparities, largely [based on race](#), were always present. But these policies defined a path for those who grew up in the postwar years for progression into the middle class and beyond.

Our nation's economy - and the educational demands it places on young people - have changed radically in the decades since. Federal policy has not kept up. WIOA reauthorization can begin to articulate a new vision for the transition to adulthood, starting with the young people who are not presently connected to employment or education. From decades of research and practice, [we know what strategies are effective for connecting young people to school and work](#).

- **Connect School and Work:** Career-connected strategies like career academies drive improved academic attainment, better preparation for work, and increased earnings. Opportunities must also be provided for those who have fallen off their educational path to reengage, regardless of age.
- **Provide Early and High-Quality Work Experience:** Early work experience provides exposure that broadens awareness and increases professional connections, strengthening young peoples' agency in future career decisions.
- **Create Connections to Caring Adults:** Access to caring adults – family members, teachers, coaches, pastors, colleagues, and mentors – is critical for adolescent development and success in education and employment. Not only do caring adults increase employment opportunities, they support young peoples' resilience, mental health, and self-efficacy.
- **Prioritize Youth Voice, Empowerment, and Leadership:** Evidence shows the benefits of co-creating programming with young people, tapping into their wisdom as practitioners or peer support workers, and empowering them as leaders, promotes academic and workplace success.
- **Implement Sectoral Employment Strategies:** Training driven by industry sector needs and managed by community collaboratives helps young people master job requirements, successfully enter high-demand fields, and earn higher wages.
- **Adapt Lessons from Other Disciplines:** Trauma-informed care, knowledge of adolescent brain development, and the restorative justice framework are enabling practitioners to build programs and services that help young people identify, remediate, and overcome challenges that hinder their success.

- **Develop Highly Trained Professionals:** Even the best models and research-based approaches will mean little if they are not planned and managed by individuals who not only care about young people, but also understand the importance of program management, evaluation, and accountability.

Today's young people are our future workforce. The return on investment for reconnecting opportunity youth is huge, [as Clive Belfield has documented](#). Young people are able to pay taxes and help employers grow, while spending on safety-net programs goes down.

Federal Efforts for Young Workers Must Be Bolder

The Workforce Opportunity and Innovation Act (WIOA) is the primary federal law designed to connect unemployed individuals to employment, education, and service opportunities. The law has undergone extensive reform with each reauthorization.

The Comprehensive Training and Employment Act in 1973 focused on subsidized jobs for adults and summer employment for young people. (My aunt received her first two jobs through the federal summer youth employment program.) The Job Training Partnership Act of 1982 was an early welfare-to-work law that included a complex multiple-regression system meant to give providers and local workforce boards, then called private industry councils, more credit for serving those with more extensive or multiple barriers to employment. The Workforce Investment Act of 1998 repealed the already-defunded summer youth employment program, focused youth spending on in-school youth, and replaced the multiple-regression accountability framework with a similarly complex system of negotiated performance targets.

In 2014 WIOA simplified and aligned performance measures across programs, streamlined service provision, and shifted the focus of the youth formula program to out-of-school youth. Workforce development boards (as they are now called) and service providers have adapted to extensive, federally directed reforms for decades.

The WIOA Youth Services formula program is the main federal funding stream that connects young people with barriers to employment to jobs. Programs funded under the law vary widely across the country. Most are competitively procured by local workforce development boards (LWDBs) based on local needs, with services delivered by community-based nonprofit organizations. WIOA prescribes 14 required elements, from paid work experiences to entrepreneurial skills training to supportive services and mentoring, that LWDBs must ensure are available in their local area.

The WIOA Youth appropriation for fiscal year 2021 is [\\$921 million](#); the program serves [approximately 150,000](#) young people each year. (For comparison, this is similar to the annual

operating budget of [Florida Atlantic University](#), which serves about 30,000 undergraduate and graduate students.) For those who exit a WIOA Youth program in the most recent program year, participant wages are approximately \$3,500 higher two calendar quarters after their exit from the program, about 74% are employed four quarters after exiting services, and 63% have earned a credential.

YouthBuild is another critical youth-serving program authorized by WIOA. [Initially focused](#) on supporting young people to rehabilitate houses and enter the building trades, YouthBuild programs now offer a variety of sectoral pathways. Emphasizing the importance of youth voice, agency, and leadership, with love and respect, 300 YouthBuild sites partner with young people to build the mindsets and skill sets for lifelong learning and livelihood. About 85% of YouthBuild students are people of color, nearly all students come from economically disadvantaged settings, and 90% enter the program without a high school diploma. Students who successfully complete YouthBuild programs leave with a high school diploma or its equivalent and on a career pathway in an in-demand sector such as healthcare, IT, or construction. Young people in YouthBuild work to reclaim their education, gain job skills, and become community leaders.

Across programs WIOA's accountability metrics focus on job placement and short-term wage gains. While relatively simple and aligned across programs, these measures represent an outdated view of how workers get and keep jobs. In a knowledge-based economy, social capital, access to mentors, [executive skills](#), and an [entrepreneurial mindset](#) are critical skills for upward mobility, but WIOA and the rest of our education and human-services sectors do not prioritize these activities.

The law can also do more to drive equity - by race, gender, ability - and to ensure that providers target resources to those who need the most services. I will describe in more detail how to accomplish each of these goals through WIOA reauthorization.

However, the biggest deficit with the law is not its language but the effort devoted to it: Federal investments in workforce development have plummeted over the last 50 years. In today's economy, careers with family-sustaining wages require more education and higher-level skills than ever before, yet federal investments reach only a fraction of youth and young adults seeking economic opportunity. WIOA state grants have been [cut by 22% since 2009 and by 40% since 2001 in inflation adjusted terms](#). YouthBuild received approximately \$96 million in funding in FY21, reaching only a fraction of eligible students.

John Bridgeland, Director of the Domestic Policy Council for President George W. Bush, [noted in 2016](#) that while current federal funding streams were ready to expand to serve at least 1 million young people each year, "the number of Opportunity Youth served by federal programs

has actually decreased since 2012, falling from 440,000 to about 340,000 federally funded annual opportunities to access education, employment, or community service.”

WIOA Must Be Modernized

I hope Members will consider the following recommended reforms to WIOA, which were developed by a working group NYEC convened for over a year (see names of participants in the [acknowledgements](#)). I would be pleased to work with your staff on the details of any of these recommendations. In general, a WIOA reauthorization must build on the system as it exists as a stepping stone to extensive [redesign](#) and reimagining of the federal role.

The Most Meaningful WIOA Reforms

For over a year, I convened a working group of NYEC member organizations - mostly service providers and staff of local workforce development boards - to develop a set of recommendations. The most important recommendations to come out of this group are:

1. Across WIOA programs, mandate use of self-attestation (allowing young people to state their status for eligibility determination purposes) to the maximum extent practicable. This simple step would radically simplify the work of providers, create more access for the hardest-to-serve young people, and encourage cross-system collaboration.
2. Simplify WIOA Youth and YouthBuild eligibility with a Priority Populations framework. We propose a simpler, one-step eligibility framework that will make it easier for local workforce boards and providers to focus on the young people most in need of services.
3. Reorient the WIOA Youth formula around more responsive measures. We recommend inclusion of the youth unemployment rate in the formula.
4. Across WIOA programs, support adoption of trauma-informed practices. Dedicated resources are needed to address mental health and trauma, as well as to incorporate what we have learned about the adolescent brain.
5. For YouthBuild, build in long-term supports for program completers and allow for longer service windows.

Governance

Many Local Workforce Development Boards (LWDBs) face a nearly impossible task: convene dozens of constituencies, formulate a coherent workforce development strategy for their local area, administer a multitude of funding streams (often beyond WIOA and federal funding), and procure and monitor the provision of a huge array of services - on budgets that are often only a few million dollars. What's more, they may have so little money with which to procure services that their requests for proposals go unanswered. The pay for LWDB directors is often too low to attract good candidates, and compete with other, more alluring agencies.

There are too many LWDBs - over 500 - and too few disincentives against governors designating a plethora of local areas. We recommend a mechanism to ensure LWDBs are of a sufficient size to make their work possible: possible mechanisms are to define a minimum size of LWDB (for example, a local area must serve at least 500,000 prime working age workers), or a maximum number of LWDBs at the state level (perhaps tied to the size of the prime working age population of the state).

Advancing youth workforce outcomes will also require strengthening the governance provisions applicable to LWDBs in WIOA Sec. 107. We recommend that business representatives selected pursuant to Sec. 107(b)(2)(A)(i)-(iii) possess a thorough understanding of local workforce efforts and, once selected, also participate in onboarding training premised upon a significant baseline knowledge of local workforce issues, with an emphasis on the youth labor market.

To ensure youth workforce issues are elevated and understood, we recommend that young people be included in Sec. 107(b)(2)(B)(iv) as representatives of the workforce, not just representatives of youth-serving organizations. As with private-sector business representation, the young adults selected should receive the same robust onboarding.

LWDBs should also, as much as practicable, simplify procedures and increase the level of provider engagement. Reporting volume and complexity should be minimized, providers should be given greater latitude to expend funds expeditiously (especially for youth in need of immediate assistance), and monitoring procedures should be simplified. In this same vein, providers who are better able to reach and serve the hardest to serve individuals should be given priority in LWDB support. We recommend the administrative set aside be increased to 10 percent, with food explicitly made an allowable expense.

Lastly, LWDBs should focus on supporting employers as they improve their practices. We recommend Sec. 107(d)(4) include requirements that LWDBs help employers implement equitable hiring practices, increase worker voice, and become trauma-informed workplaces.

Young People at the Center

In their planning process, States should be required to involve opportunity youth and other young workers. States may have existing coordinating bodies and networks of young people that could support plan development, such as P-20 councils, [Children's Cabinets](#), former [Youth Opportunity sites](#), or [philanthropically supported efforts](#), or they could use ad hoc bodies. These groups could be charged with [building a collaborative infrastructure](#), [building diverse stakeholder commitment](#), and [implementing and sustaining collective action among stakeholders](#).

Program Elements

WIOA's 14 program elements for youth workforce activities, found at Sec. 129 (c)(2)(A-N), are comprehensive and a significant improvement over comparable prior provisions of the law. The extensive list of elements sometimes represents a barrier for providers, when LWDBs require all applicants for funding to agree to provide all 14 program elements. Programs usually have strengths in several elements, rather than all of them. For instance, programs exclusively serving parenting youth may want to focus more on paid work experience, supportive services, and dropout prevention than other program elements. We recommend creating room for providers to choose their program elements contained in in Sec. 129(c)(2) based on the provider's strengths. Local Workforce Development Boards would then play the role of ensuring all services are available and accessible in a given area, but not requiring each provider to make all elements available.

The range of program elements should also be expanded to reflect the challenges and opportunities that today's young adults face. We recommend amending:

- Sec. 129(c)(2)(C) to add a new (v), Independent contracting and entrepreneurship experiences.
- Sec. 129(c)(2)(G) to "supportive services, including child care, transportation access, access to technological devices and internet access needed to participate in programming, drug and alcohol abuse referral, and food."
- Sec. 129(c)(2)(I) to "follow-up services for the longer of 36 months or the completion of any postsecondary education to which participants are referred."
- Sec. 129(c)(2)(J) to "career navigation services" (drug and alcohol abuse counseling and referral should be considered a supportive service).
- Sec. 129(c)(2)(M) to "career awareness and career exploration activities."

These changes allow young adults to be more prepared for a labor force that is increasingly dynamic, not defined by a singular career path and dependent on digital infrastructure. As we shift WIOA to serve the hardest-to-serve youth, more time may be needed for completion and follow-up service following completion. Lastly, changes subparagraphs (J) and (M) reflect more up-to-date language.

Eligibility

Federal workforce programs have historically had tight eligibility requirements, to ensure that limited federal dollars benefit those without other means of connecting to education and employment. Similarly, designing programs to target youth with the most significant barriers ensures that these programs meet their needs. While WIOA should continue to prioritize serving the hardest-to-serve individuals, this should be paired with reforms to simplify eligibility

verification and flexibility to enable local areas to focus their resources on subpopulations most in need of services.

The Importance of Self-Attestation

Current documentation requirements make it challenging for young people to access services. In some cases, this results in perverse incentives for providers to recruit and serve young people who are closer to their goals and therefore easier to serve, or “creaming.” Self-attestation allows young people to verify their status themselves. This greatly reduces the burden for young people and case managers.

Young people experiencing homelessness are a population [long undercounted](#) and in need of access to WIOA services, for whom establishing school status is often difficult. Young people with justice involvement is another subpopulation who would benefit from self-attestation. In some states, young people lack state identification even after periods of confinement. After several years of deliberation, DOL in 2020 [released guidance](#) on specific data elements for which self-attestation is appropriate, echoing nascent efforts around the country to increase its use.

However, these documentation requirements are deeply embedded in the culture of many workforce boards and providers, and the monitoring practices of states. Without more concerted federal direction, it will be a long time before self-attestation becomes the norm. The most significant way Congress can improve access to WIOA services to serve more young people is by mandating the use of self-attestation for eligibility determination to the maximum extent practicable.

Priority Population Framework

With WIOA Congress required 75% of WIOA Youth funding to be spent on out-of-school young people, a critical recognition of the unique role that this funding stream plays in serving this population. The working group recommends a simpler way to retain this focus on young people who fall through the cracks of other systems.

We recommend a “Priority Population” framework for WIOA Youth and YouthBuild funding, to replace the clunky eligibility framework in WIOA. Priority Populations would include any young person between the age of 14-24 who:

- Is experiencing homelessness, or “lacks a fixed, regular, and adequate nighttime residence” as defined in Subtitle VII-B of the McKinney-Vento Homeless Assistance Act.
- Has been incarcerated or has past or current involvement with the criminal or juvenile justice systems.
- Is a current or former foster youth.

- Has a disability.
- Is pregnant or parenting.
- Is a school dropout (as defined by state law).
- Is low-income (200% FPL, with income verification if the young person does not qualify under one of the other Priority Populations).
- Is part of another young-adult population, including a racial group, that is experiencing disparate levels of youth disconnection, as defined by the local workforce development board.

This would replace the in-school youth (ISY)/out-of-school (OSY) distinction described in Sec. 129 (a)(1)(A-C), and the mandate to serve 75% OSY described in Sec. 129 (a)(4). We recommend that Congress require 90% of WIOA Youth funds be expended on Priority Populations, with 10% reserved for universal programming.

We anticipate this will increase the number of young people served who face significant barriers to employment, such as justice involvement. Coupled with self-attestation, the Priority Population framework will radically simplify eligibility determination and give local areas more flexibility to serve the young people most in need of services. The Priority Population Framework will also significantly increase LWDB flexibility to serve in-school youth if they choose. For example, removing the income verification requirement present in current ISY eligibility will make it easier to serve specific populations in each regional context, such as school-age young people connected to the foster care or juvenile justice systems.

The Priority Population framework removes perverse incentives, most notably the “in-school dropout” problem. This refers to young people who are not attending school, but who cannot qualify as OSY under WIOA Sec. 129 (a)(1)(B), either because of state compulsory education laws (for those age 16-18, depending on the state) or state or district policies regarding official school dropout status (for instance, a young person may not be considered a dropout until they miss the first 20 days of a following or new school year).

Addressing the Changing Nature of Work

WIOA contains a 20% minimum expenditure rate for the work experience program element. This requirement rightly emphasizes the importance of work experience for young people, but the requirement has not reached its full potential. In some places the 20% requirement acts as a “ceiling” on spending, instead of as a “floor” as the law intended. Furthermore, staffing and other allowable costs eat into the 20% requirement. We recommend that the expenditure requirement be raised to 25%, with allowable expenditures to include wages for young people, transportation, child care, and other supportive services.

WIOA can also stimulate new approaches to connecting young people with work. Apprenticeships are a familiar and longstanding example of work-based learning that has helped generations of workers gain a foothold in careers that pay family-sustaining wages. For young people who need immediate income to meet basic needs for themselves and their families, apprenticeships offer a chance to start building a career rather than merely holding an entry-level job with minimal room for advancement. Unfortunately, the average age of an apprentice in the US is closer to 30 than 18. We must do more to create onramps to apprenticeships for young people, such as the collaboratives that are part of the [Partnership to Advance Youth Apprenticeship](#).

The nature of work has changed since the passage of WIOA and is continuing to change as the century moves forward. We must also invest in local work-based learning ecosystems that connect middle and high schools, community colleges, workforce-development programs, and employers around a shared understanding of when and how young people will gain exposure to the world of work. These ecosystems must also comprehend new entry points to the workforce and new ways of work, such as the gig economy, entrepreneurship, and worker co-operatives.

Youth participants should have the support to explore these options and emerging opportunities in their work experiences. We recommend the creation of a new section 164 for Next Generation Youth Workforce Strategies, a competitive grant program to support work-based learning models. These include those that:

- Support career advancement and momentum, not only placement.
- Focus on transferable skills and include cross-sector mapping.
- Offer robust supports, such as living wages, mentorship and social-capital opportunities, and housing as needed.
- Stimulate youth entrepreneurship.
- Create and support cross-system work experience ecosystems in a region.
- Offer intensive support for employers, such as case-management and onboarding approaches.

Performance Measures

Performance measures should both empower organizations to effectively serve youth participants in need of their services and ensure that youth are on path toward lifelong success. Current measures outlined in Sec. 116 (b)(2)(A)(ii) are structured in a way that encourages creaming and can circumvent serving the youth most in need of services. Measures do not adequately capture the quality of placements, whether job quality or the labor market value of educational placements or credentials.

To give providers credit for creating the conditions for long-term participant success, we recommend the addition of optional performance measures, in addition to core measures:

- Measurable Skills Gain (available for all WIOA Youth participants).
- Access to career exploration experiences.
- Short-term credentials (even those that do not meet the definition of industry-recognized credentials).
- Increases in social capital, such as access to mentors, expansion of social networks, membership in civic organizations.
- Job quality, as measured by one or more of the following:
 - Wages, as compared to the local living wage in the workforce region.
 - Fringe benefits (retirement, health insurance, paid leave, tuition reimbursement).
 - Non-economic benefits, such as opportunities for career advancement, professional development activities, access to college scholarships, and schedule flexibility to accommodate continuing education.
 - Clear service to the community providing pride and satisfaction to the employees.

Functionally, this increased flexibility would require LWDBs to take on more of the responsibility for implementing a long-term WIOA strategy and tracking performance measures against it. Within that strategy, individual service providers may choose from a menu of performance measures, to report on in addition to core measures. This will reflect the diversity of need among WIOA-eligible youth - and the diversity of services supported under WIOA - while maintaining focus on a unified regional strategy.

Programs need to have added flexibility to get credit for serving hardest-to-serve youth on longer tracks which may not match with state performance numbers. Interim measures like ones mentioned above can function as an "added-credit" system, where individual WIOA programs get credit for helping clients achieve interim steps on a pathway to a higher-quality career. Performance indicators should look at improvements in economic mobility and earning power over time: we'd recommend that wage measures track at least two years and ideally five years after entering the WIOA service portfolio. They might also look at the value of social impact that will give meaning to the clients' lives.

A critical step to making this system work would be to create a common unemployment insurance/wage reporting record accessible by program administrators and researchers/evaluators in every state. This kind of wage-record reporting is critical to tracking real labor market outcomes for WIOA clients, and particularly those long-term outcomes which are most meaningful. WIOA providers report being especially burdened by reporting wage gains and credentialing outcomes, both of which would be much easier to report against at a state and local level with this kind of integrated data system. To this end, we recommend the creation of a permanent, formula-funded workforce data quality funding stream.

Mental Health and Trauma

New findings in adolescent brain science have found that events and circumstances that cause trauma (both physical and psychological) have long-term impacts on influencing an individual's health and development over their life course. In April 2021, [the National Youth Employment Coalition published a report](#) detailing how integrating trauma-informed care (TIC) practices in youth workforce programs improves employment outcomes for young adults. WIOA's shift to focus on the hardest-to-serve youth cannot be achieved without infusing trauma-informed decision-making and practices into the job-training process.

The 2014 WIOA law's focus on comprehensive guidance and counseling as a required element must be revamped to include the latest models and practices that include trauma. Ultimately, a trauma-informed staff and practices will help guide these youth to better health, performance, and workforce retention outcomes. To help workforce agencies become more trauma-informed and able to implement trauma-informed practices, we recommend creating a new set-aside of between 3% and 5% for staff development at the local level.

To discover and incubate new approaches to addressing mental health and trauma, federal support is needed. Competitive grants focused on mental health and trauma could be added to the new section 164 described above. This could support peer-support models, staffing time dedicated to addressing/identifying trauma, assistance with referrals to treatment centers, and resources to create safe environments at WIOA providers.

Workforce agencies need to have resources to conduct capacity-building and stay up-to-date. HHS can play a role in conducting ongoing technical assistance. We recommend that within 180 days of enactment of a new workforce law, the Secretaries of Labor and Health and Human Services establish an interagency task force, for the purpose of increasing uptake of TIC in workforce agencies and other human-services agencies.

Lastly, local plans could be modified to include a plan for partnering workforce agencies with treatment facilities, providing peer support models and outlining approaches for implementing TIC amongst providers. We recommend requiring local plans to detail their strategy for addressing trauma and mental health in accordance with Sec. 108 (b)(3).

Formula

The youth unemployment rate is typically twice as high as the U-3 overall unemployment rate, and areas of youth unemployment frequently deviate from areas of overall unemployment. To create a formula that's more responsive to the youth labor market, we recommend modifying section 127 to use the youth unemployment rate (age 16-24) in subclauses (I) and (II).

WIOA currently allows for adjustments in performance measures based upon local conditions. This has helped better serve the hardest-to-serve youth with multiple barriers. However, in accordance to switching to a Priority Populations Framework, this condition can go further. We also recommend allowing extensive adjustment for labor-market conditions by making youth discretionary allocation mandatory in Sec. 128(b)(3) and eliminating (3)(B)(i)(I) and (II) in order to include a measure defined by the state to adjust for local conditions.

The Dislocated Worker Program retains a decades-old structure designed to respond to employer-driven mass-layoff events, such as factory closures. This is no longer reflective of labor dislocations today, where an employer-employee relationship may not have existed in the first place (gig work), or where those affected may have never gained access to work in the formal economy in the first place and are thus ineligible for unemployment insurance. We recommend that the definition of dislocated workers and the formula for the program address these new employment patterns, which disproportionately affect young people.

Authorization of Appropriations

The WIOA Youth program is our only nationwide service system for young adults who are disconnected from education and employment. Opportunity youth numbered approximately 10 million last summer. We recommend growing WIOA Youth to create at least one million opportunities for young people every year. This is a realistic scaling of current offerings, given 1) the increased number of youth-serving organizations that would compete for WIOA funds if our recommendations around eligibility and documentation are implemented, 2) the many existing community resources that new WIOA funding could tap (such as mental-health providers), and 3) the increased focus on immediate access to work experience that we envision. With an increased per-slot cost of \$8,500, we recommend an annual authorization of appropriations of at least \$8.5 billion for WIOA Youth.

Definitions

Regarding WIOA's definitions in section 3, we recommend that Congress:

- Add young people aged 14-24 to the definition of displaced workers.
- Add youth priority populations outlined in this document to individuals with a barrier to employment definition at Sec. 3(24).
- Include food and internet in the supportive services definition at Sec. 3(59).
- Add a new definition of "trauma," as defined by SAMHSA: "an event, series of events, or set of circumstances that is experienced by an individual as physically or emotionally harmful or life threatening and that has lasting adverse effects on the individual's functioning and mental, physical, social, emotional, or spiritual well-being."

YouthBuild

For the YouthBuild program authorized in WIOA, key changes are needed to strengthen youth voice in the program, build out support for students who transition to postsecondary education, and provide greater program flexibilities. Some examples include:

- Flexibility is needed in the statute to buy food and pay for other supportive services: Include a new eligible activity in WIOA section 171(c)(2) that allows funds to be used for food for YouthBuild participants during programming. Amend existing YouthBuild regulations (20 CFR 672.310/20 CFR 668.320) by adding a new allowable activity: provision of meals to program recipients during programming.
- Youth voice and integration needs to be strengthened:
 - In Section 102(b)(1)(D), call out opportunity youth in State strategic vision.
 - In Section 107(b)(4)(A)(ii), include YouthBuild as a required member of the standing youth committee.
- Help build greater postsecondary success: Clarify and strengthen Section 171(c)(2)) language around supporting individuals exiting the program in their transition into postsecondary education or employment.
- Ensure State plans assess needs: In Section 102(b)(1)(B) require that State Unified Plans include analysis of educational and skill levels of opportunity youth and students with disabilities.

Reentry Employment Opportunities Program

We recommend that the Reentry Employment Opportunities (REO) program be authorized in statute, as a new section 165, with the changes described below. This would 1) replace its current tenuous position, renewed through the appropriations process under the section 169 authority, and 2) allow Congress to give the program a more focused goal and strategic direction.

Authorizing language for REO should frame the program as an investment to keep young people out of the juvenile justice system, rather than responding after the youth becomes justice involved. I recommend Congress change the name of the program to Youth Alternatives to Detention.

The new REO program must increase focus on developing soft skills, to accompany the existing priorities of job skills training and job placement. These include communication, teamwork, time management, leadership and other skills that are critical in the workplace.

Under current law REO implementation is complicated by differences in state determination of adults: for example, young people may lose eligibility for services at age 18 if their state ceases juvenile court jurisdiction at that age. We recommend the new REO program include statutory age eligibility from the state-defined earliest age of court jurisdiction through age 24.

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- Shanice Turner (NYEC)

Key participants in NYEC's WIOA Working Group included:

- Thomas Showalter and Rashaun Bennett (National Youth Employment Coalition)
- Cameron Mendes-Moreau and Kathy Hamilton (Boston Private Industry Council)
- Doug Ierley (YouthBuild USA)
- David Brown (Annie E. Casey Foundation)
- Thaddeus Ferber (Forum for Youth Investment)
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- Eric Cuevas, Taylor Maag, and Mary Claggett (Jobs for the Future)
- Mike Davie (Seattle-King County Workforce Development Council)

Thank you for the opportunity to testify today.

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Chairwoman WILSON. Thank you, Mr. Showalter. Thank you very much.

Next, we will hear from Ms. Lindner.

STATEMENT OF DEB LINDNER, HUMAN RESOURCES MANAGER, PRECOR, WHITSETT, NC

Ms. LINDNER. Chairwoman Wilson, Ranking Member Murphy, and distinguished Members of the Higher Education and Workforce Investment Subcommittee, thank you for the opportunity to speak with you all today.

My name is Deb Lindner, and I am the H.R. manager and at Precor, located in North Carolina. I have served as the executive board Members with both NC local and State workforce boards. I am also a part of the National Skills Coalition and Business Leaders United Manufacturing Industry Recovery Panel.

Companies like Precor are actively engaging in efforts to build a skilled pipeline of young workers in our industry. I am urging Congress to support industry or sector partnerships that bring together education and industry partners to support on-the-job learning and incumbent worker training that helps us upskill existing workers and create entry-level positions for the next-generation workers appeared to support costs associated with transportation and childcare that too often serve as barriers to young people's success.

Today the workforce landscape has changed, and we have lost a year of developing the next-generation workers. Workers that we furloughed were forced to find jobs in other industries or manufacturing subsectors or have left the area. Partnerships that were the foundation of our hiring pipeline, those with workforce boards, high

schools, community organizations are not producing the number of candidates we are used to.

We invest in workforce partnerships for two key reasons. First, public investments in the infrastructure that bring together small- and mid-sized companies enable us to scale our impact. No single company can succeed alone, but the infrastructure of these partnerships make it possible. Many workers will need short-term training at the local community college to get back up to speed on skills necessary to be successful on the job, but Precor alone does not hire enough workers for the community college to run a dedicated program for our needs. We rely on organizations within these partnerships including the local workforce board, Triad Goodwill, and the community college to identify potential applicants and help us hire young people who will be our workforce of the future.

At Precor, consistently the most challenging aspect of hiring new workers, especially young workers, is their access to reliable transportation. Our plant is off any public transportation routes. We have young adults who do not have reliable transportation and must rely on others to get to and from work.

For example, I hired a great candidate as a welder. Within the first week, he started having attendance problems. In speaking with him, he revealed that a family Member promised to get him to and from work, decided all of a sudden to stop providing the ride. So we as a company, we decided to book and pay for a hotel room close to within walking distance so that he could get at least two paychecks and purchase a vehicle.

I applaud the Committee's bipartisan efforts to modernize the Workforce Innovation and Opportunity Act and for taking time to identify the diverse strategies necessary to ensure our public workforce system serves both businesses like Precor and youth, people of color, and people without a high school diploma who have been the hardest hit by the current crisis. Job training will not solve our current crisis, but it is part of the solution and critical to ensuring an inclusive economic recovery.

First, ensuring public support for partnerships that bring together small- and mid-sized companies like Precor and our partners in the manufacturing council and community and technical college and the public workforce system would make a huge impact in our community. WIOA currently supports these industry and sector partnerships but provides no dedicated resources to empower states and local areas to invest in this strategy.

For Precor, dedicated resources to support industry partnership through WIOA reauthorization, National Apprenticeship Act reauthorization, and any response or recovery to the current crisis is critical to our ability to support the infrastructure we already have established. These partnerships should bring together employers, as well as community organizations, that have historically served youth, in particular opportunity youth, who are not connected to school or employment.

We are making the investment in our workers and can invest leverage and scale investments like ours when matched with robust public investment. These investments would also support costs of providing incumbent worker training of helping our workers de-

velop digital skills and upskilling on the job training opportunities for young people.

Finally, to effectively reach the most robust and diverse pipeline of young people in our communities, Precor needs Congress to support investments in transportation and support services as part of WIOA reauthorization.

Thank you for the opportunity to speak today, and I look forward to answering any questions.

[The prepared statement of Ms. Lindner follows:]

PREPARED STATEMENT OF DEB LINDNER



**Education & Labor Committee
Higher Education and Workforce Investment Subcommittee
“Workforce Innovation and Opportunity Act Reauthorization: Creating
Opportunities for Youth Employment”
May 13, 2021**

Chairwoman Wilson, Ranking Member Murphy and distinguished members of the Higher Education and Workforce Investment Subcommittee, thank you for the opportunity to speak with you all today.

My name is Deb Lindner, and I am the Human Resources Manager at Precor Inc., located in Whitsett, North Carolina. I have over 20 years of Human Resources experience. As the HR Manager with Precor, my main areas of responsibility include workforce planning and development, organizational development, employee relations and leadership development. I have served as an Executive Board Member with both the North Carolina local and state boards. I am also a part of the National Skills Coalition and Business Leaders United Manufacturing Industry Recovery Panel, which will share recommendations with the Biden Administration to ensure an inclusive economic recovery from COVID-19. I am passionate about North Carolina and the manufacturing industry creating strong workforce initiatives that create a viable workforce across all industries.

In North Carolina, Precor has approximately 120 employees, with dozens of current open positions. We believe that the hiring the best affords us to produce quality products. At Precor, our people are our greatest asset, and we know it. Our candidates for the manufacturing floor are someone who want to be part of a winning team, are dependable and with a passion to learn quickly. Our core values are customer focus, accountability, teamwork, communication, and innovation. At Precor, part of helping people live the lives they desire includes creating a rewarding and enjoyable workplace. We work together in an empowering, collaborative, and innovative environment to deliver the very best fitness experiences possible. We look for passionate individuals who share the common goal of improving the ways people improve themselves.

Companies like Precor are actively engaging in efforts to build a skilled pipeline of young workers into our industry. We need Congress’ support in these efforts, however. To scale and amplify the work I and Precor do, I urge Congress to support industry or sector partnerships that bring together education and industry partners, to support on-the-job learning and incumbent worker training that helps us upskill existing workers and create entry level positions for next generation workers and to support costs associated with transportation and childcare that too often serve as barriers to young people’s success on our job site.

Precor needs skilled workers

Prior to the pandemic, while finding candidates for the production lines appeared to be on pace with our hiring rate, finding skilled workers was a challenge. The past fourteen months have only exacerbated that challenge.

The current economic and health crisis meant Precor had to scale back operations, in part to keep our workers safe and in part because our largest clients – gyms who had to close – were no longer ordering product at the same rate as prior to the crisis.

In 2020, we had to furlough most of our workers and eventually had to reduce our workforce by 10%.

Now, demand from our customers has increased, but finding workers to meet this demand is a challenge. Over the next year alone, I need to hire more than 200 workers – nearly twice what I've hired in recent years prior to the crisis.

On top of the scale of the demand we're facing, the workforce landscape has changed, and we've lost a year of developing the next generation workers. Workers that we furloughed were forced to find jobs in other industries or manufacturing sub-sectors or have left the area. Partnerships that were the foundation of our hiring pipeline – those with the workforce board, high schools, community organizations of community colleges – are not producing the number of candidates we are used to. In 2018, our quarterly job fair would draw over 100 applicants. This week, we had just 15. Many employers are asking many questions – Do we raise our pay rates and hire less employees? Do we pass on orders since we do not have the required workforce? What do we do, where do we go, how do we find more employees?

Precor is investing in our Workforce

1. Participation in Partnerships that form the foundation of our recruitment efforts

Precor has partnered with the local Manufacturing Council, run by the Greensboro Chamber and started by our local workforce development board. The Council was founded with funds from the Workforce Innovation and Opportunity Act and relies on that and continuing public investment to meet needs of employers like Precor. We were also a founding member of the Guilford Apprenticeship Partnership, a collaborative of manufacturing companies that worked together to build a youth apprenticeship pipeline in our area. Expanding beyond just youth apprenticeship, I also am a founding member of the Workforce Apprenticeship Alliance.

We invest in these partnerships for two key reasons – first, public investments in the infrastructure that brings together small and mid-sized companies enables us to scale our impact. No single company can succeed alone, but the infrastructure of these partnerships makes it possible. Precor hires 1 apprentice for every 100 workers a year and onboards on average 20 new workers a month. Many of these workers will need short-term training at the local community college to get up to speed on the welding or other skills necessary to be successful on the job. But Precor alone does not hire enough workers for the Community College to run a dedicated cohort for our needs. By partnering with other companies, we're able to jointly identify welding skills necessary for our new hires and engage with our local Community College to create a curriculum that jointly serves all the participating companies. Second, we rely on organizations within these partnerships – including the local workforce board, Triad Goodwill and the Community College to identify potential applicants and help us hire young people who will be our workforce of the future.

2. Upskilling opportunities that create onramps for youth

Where we are not able to move fast enough with partnerships, we do it alone. Just this month, Precor is launching an Incumbent Worker Maintenance and Welding program. We have passionate employees that want to contribute more to Precor however do not have the ability to go back to school while working a full-time job. We are investing in our employees and launching two incumbent worker industrial maintenance and robotic welding programs to build an internal pipeline of workers. By creating this internal structured training program, it will create a pathway to help build and retain our talent capabilities. The programs will be a hybrid between on-the-job learning and job-related education.

Once the workers in that program advance within our workforce, we will then need to hire even more entry level workers.

3. Consistent efforts to retain workers – especially young people – in our workforce

At Precor, consistently the most challenging aspect of hiring new workers – especially young workers – is their access to reliable transportation. Our plant is located 20 miles outside of the closest city, Greensboro, and off any public transportation routes.

For our high school apprenticeship program, we were limited to hiring students who had transportation out to the plant – meaning students who most needed access to skills offered in our apprenticeship program were excluded from the opportunity.

Even outside of high school students, we have young adult employees who do not have reliable transportation and must rely on others to get to/from work. Unfortunately, this usually ends up in losing an employee because their ride has been cut or eliminated. We probably have at least 1 out of 15 employees who ride with someone else to work for a variety of reasons from not being able to afford a vehicle or gas, that they belong to a one car family, or do not have a license. They find rides from another employee, a family member or someone they paid to drive them to work. Many times, I don't find this out until attendance becomes an issue and the employee finally tells us their transportation issues. I personally have driven an employee home when their ride didn't show up or cancelled on them. For example, we hired a great candidate as a welder. Within the first week, he started having attendance issues. In speaking with him, he revealed that his family member who promised to get him to/from work decided to stop providing a ride. We decided to book and pay for a hotel room for him that was within a 5-minute walk from the plant so he could get to/from work. We did this for about three-four weeks, so he could get paid and purchase a used vehicle.

Precor needs Congress to scale and partner with industry efforts to ensure more young people have access to good manufacturing jobs

Precor is investing time, energy and funding in convening and running partnerships with those in our industry and community, in upskilling our workers and creating on-the-job learning opportunities for young people in our community and in helping workers access transportation and other support services. But, we need Congress to support these efforts, too.

I applaud the Committee's bipartisan efforts to modernize the Workforce Innovation and Opportunity Act and for taking the time to identify the diverse strategies necessary to ensure our public workforce system serves both businesses like Precor and youth, people of color and people without a high school diploma who have been hardest hit by the current crisis. Job training will not solve our current crisis, but it is part of the solution and critical to ensuring an inclusive economic recovery.

First, ensuring public support for partnerships that bring together small and mid-size companies, like Precor and our partners in the Manufacturing Council, and community and technical college and the public workforce system would make a huge impact in our community. The Workforce Innovation and Opportunity Act (WIOA) currently supports these industry or sector partnerships but provides no dedicated resources to empower states and local areas to invest in this strategy. For Precor, dedicated resources to support industry partnerships – through WIOA reauthorization, National Apprenticeship Act reauthorization and any response or recovery to the current crisis is critical to our ability to support the infrastructure we already have established. These partnerships should bring together employers as well as community organizations that have historically served youth, in particular opportunity youth who are not connected to school or employment.

Next, manufacturing companies like Precor need you to invest aggressively and effectively in the skills that industries demand and workers need to be competitive in a global marketplace. These investments should support all workers – including young people’s – access to good jobs. According to polling in spring of 2020,¹ 82% of voters wanted to see public investments in skills training in response to the crisis and 81% wanted to see investments over the long-term. Right now, the U.S. invests less in workforce and active labor market policies than every other industrialized nation except for Mexico and we would need to invest \$80 billion more annually just to reach the median of other industrialized countries.² Companies like Precor are making the investment in our workers, and we can best leverage and scale investments like ours when matched with robust public investment. To be the most effective to Precor, these investments would also support costs of providing incumbent worker training, of helping our workers develop digital skills and of scaling on-the-job training opportunities for more young people.

Finally, to effectively reach the most robust and diverse pipeline of young people in our communities, Precor needs Congress to support investments in transportation and support services as part of WIOA reauthorization.

Thank you for the opportunity to speak today and I look forward to answering any questions.

¹ <https://www.nationalskillscoalition.org/wp-content/uploads/2020/09/09-2020-NSC-Skills-for-an-Inclusive-Economic-Recovery.pdf>

² <https://www.americasworkforce.org/latest-action-list/2019/9/19/investing-in-americas-workforce-a-national-imperative-for-the-21st-century>

Chairwoman WILSON. Thank you. Thank you so much, Ms. Lindner.

And now we will hear from Mr. Garrett.

**STATEMENT OF BYRON GARRETT, PRESIDENT & CEO,
NATIONAL JOB CORPS ASSOCIATION, WASHINGTON, DC**

Mr. GARRETT. Thank you, Chairwoman Wilson, Ranking Member Murphy, and all the Members of the Subcommittee for inviting me to testify today.

My name is Byron Garrett, and I serve as president and CEO of the National Job Corps Association. As a long-life education advocate including prior stints as a former school principal, education commissioner for the city of Phoenix, CEO of the National Parent Teacher Association, and co-convenor of the Helping America’s Youth Initiative led by former First Lady Laura Bush, it is a distinct honor to contribute to conversations that will impact the lives of millions of our Nation’s youth.

I joined the Job Corps community in the summer of 2019, motivated by the program’s mission: To offer opportunity to our Nation’s most marginalized youth.

A little more than 6 months into my tenure, the COVID0919 pandemic made clear the importance of that mission. Millions of Americans lost jobs, faced eviction, and turned to food banks to fend off hunger. Congress created the Job Corps program specifically to serve these students who are most impacted and affected, the one in three who are disconnected in the ages of 16 to 24 who lack ample education and employment opportunities.

At over 120 campuses including one in every State, Job Corps has the capacity to support tens of thousands of young Americans. Job Corps provides opportunities to earn a diploma or equivalency, career preparation for over 100 high-demand professions, earn industry-recognized credentials, participate in pre-apprenticeships and work-based learning, and the opportunity to dually enroll in college. We do a lot. Some programs such as the Benjamin L. Hooks campus in Memphis, Tennessee, that Secretary Walsh and Second Gentleman Emhoff visited last week, Job Corps even offers childcare and Head Start programs.

And we have seen the proof in Job Corps. From homelessness to Harvard, from a child of an incarcerated father and high school dropout to celebrated tech entrepreneur and investor on Shark Tank, from dropout to two-time heavyweight champion of the world, and from the homeless child of farm-working immigrants to become the chief judge on the Idaho State Court of Appeals, these stories share the beginnings as millions of disadvantaged youth whose futures can be brighter because of Job Corps.

While most of our students did not go to Harvard or become heavyweight champion of the world, by and large our students achieve incredible outcomes under the guidance of our dedicated educators and staff. The average Job Corps enrollee enters the program reading below the eighth-grade level but advances two-and-a-half grade levels after less than a year in the program. In the last complete year before COVID, 92 percent of our enrollees earned an industry-recognized credential with more than 85 percent of graduates transitioning into employment, post-secondary education, or enlisting in the military.

We are proud of the success of our students and what they achieve in Job Corps and their lives after the program. But they are also opportunities, some highlighted by the COVID pandemic, to better orient our program to meet the needs of marginalized youth and the employers who need skilled workers to grow the American economy and our communities.

In recent years Job Corps has consistently had empty beds and classroom seats across the country, while homeless shelters were full and millions of young Americans were out of work and out of school. Each year we expel thousands of students for behaviors such as marijuana use that can instead be addressed by our staff and enable those students to grow and become productive Members of society.

Our staff are frontline essential workers who house, feed, education, and care for young people during this pandemic who had nowhere else to go. We have seen their wages fail to keep pace with local school districts and even decrease in some cases, making it impossible to retain our best staff. I would offer the following four recommendations and priorities for Job Corps reauthorization to help more socially and economic disadvantaged young Americans.

One, reduce barriers to enrollment so that we can ease the documentation process for entry. Two, allow a system of positive behavioral interventions and supports and a progressive disciplinary system to maintain campus safety, while enabling more students to become responsible, employable citizens. Three, enable flexibility to

take a student and employer-centered approach to Job Corps campus operations. And, four, ensure that Job Corps teachers and staff are compensated appropriately.

The COVID0919 pandemic has made clear the extraordinary need for Job Corps. Since the start of the pandemic, about 20,000 struggling young Americans have applied to enroll. And the stories that we see on public forums like Reddit are absolutely heart-breaking. They are pleading for our support. Many are homeless, hungry, or concerned about how to support their children and Job Corps offers hope in a desert of desperation and we consider this an investment in the future. Any young person should be able to walk through the door of a one-stop center or engage in the homeless support services and be immediately referred to a Job Corps admissions counselor.

We look forward to engaging in this robust discussion. And as I tell people all the time, if the mind can conceive and the heart can believe it, then the hands can achieve it, because it all begins in the mind.

[The prepared statement of Mr. Garrett follows:]

PREPARED STATEMENT OF BYRON GARRETT



**Written Testimony of Byron V. Garrett
President & CEO, National Job Corps Association**

May 13, 2021

**House Education and Labor Committee, Subcommittee on Higher Education
and Workforce Investment**

Thank you Chairwoman Wilson, Ranking Member Murphy, and all the members of the Subcommittee for inviting me to testify today. My name is Byron Garrett and I serve as the President and CEO of the National Job Corps Association. As a lifelong educator and education advocate – including prior stints as a school principal, Education Commissioner for the City of Phoenix, CEO of the National Parent Teacher Association, and Co-Convener of the Helping America's Youth Initiative led by former First Lady Laura Bush – it is a distinct honor to appear before this Subcommittee and contribute to conversations that will impact the lives of millions of our nation's youth.

COVID's Impact on Opportunity Youth

I joined the Job Corps community in the summer of 2019 motivated by the program's mission: to offer opportunity to our nation's most marginalized youth. A little more than six months into my tenure, the COVID-19 pandemic made clear the importance of that mission. Millions of Americans lost their sources of income, faced eviction, and turned to food banks to fend off hunger. Last summer, nearly 1 in 3 Americans age 16 to 24 were disconnected from

both education and employment.ⁱ High school dropouts, in particular, have struggled; according to a recent Census Bureau survey, more than 50 percent expect to be evicted within 2 months and more than 20 percent struggle with hunger.ⁱⁱ Even as we emerge from the pandemic, employment rates among young Americans will lag behind other workers because of their relative lack of experience.ⁱⁱⁱ Research has shown that coming of age during an economic downturn may leave young people's careers in a state of arrested development that can impact the rest of their lives.^{iv}

Job Corps' Mission

Congress created Job Corps for these youth. At over 120 campuses, including one in every state, Job Corps has the capacity to annually house, feed, mentor, and provide career and technical education to over 60,000 young Americans. Job Corps offers multiple avenues to earn a high school degree or equivalency, career preparation for over 100 high-demand professions, including nursing, information technology, and advanced manufacturing, offering hundreds of associated industry-recognized credentials, the ability to participate in pre-apprenticeships and work-based learning, and the opportunity to dual enroll with local colleges and earn credit towards a postsecondary degree. At some campuses, such as the Benjamin L. Hooks Job Corps campus in Memphis, Tennessee that Secretary of Labor Marty Walsh and Second Gentleman Douglas Emhoff visited last week, Job Corps even offers childcare and Head Start programs to care for and educate children as their parents work to secure a better future for their families.

As an educator, I work from the framework of Dr. Asa Hilliard who said "I have never encountered any children in any group who are not geniuses." It is our responsibility as adults and educators to draw out that genius. And we have seen the proof in Job Corps:

- From homelessness to Harvard;

- From child of an incarcerated father and high school dropout to celebrated tech entrepreneur and investor on Shark Tank;
- From dropout to two-time heavyweight champion of the world; and
- From the homeless child of farm-working immigrants to Chief Judge on the Idaho State Court of Appeals.

These stories are exceptional – in any context. But they share the same beginnings as millions of marginalized and disadvantaged youth across America and their endings would not have been possible without Job Corps.

While most of our students do not go to Harvard or become heavyweight champion of the world, by and large, Job Corps students achieve incredible outcomes under the tutelage and guidance of our dedicated instructors, counselors, and mentors:

- The average Job Corps enrollee enters the program reading below the 8th grade level but advances the equivalent of 2.5 grade levels after less than a year in Job Corps;^v
- In the last complete year before COVID, 82% of Job Corps enrollees earned an industry-recognized credential;^{vi} and
- More than 85% of Job Corps graduates consistently transition into employment, enroll in postsecondary education, or enlist in the military.^{vii}

We are proud of the success our students achieve while in Job Corps and their lives afterward. But there are also opportunities – some highlighted by the COVID pandemic – to better orient our program to meet the needs of marginalized youth and the employers who need skilled workers to grow the American economy and our communities.

Opportunities to Better Meet Student and Employer Needs

In recent years, Job Corps has consistently had empty beds and classroom seats across the country while youth homeless shelters were full and millions of young Americans were out-of-work and out-of-school. Each year, we expel thousands of students for behaviors, such as marijuana use, that could instead be addressed by our staff and enable those students to grow and become productive members of society. We have, at times, failed to be responsive to the needs of our students and local employers in a timely way, particularly during the last year. And our staff, frontline essential workers who housed, fed, educated, and cared for youth who had nowhere else to go during the pandemic, have seen their wages fail to keep pace with local school districts and even decrease in some cases making it increasingly impossible to retain our best teachers, counselors, nurses, and mentors.

On behalf of the community of youth service providers that make up the National Job Corps Association, I would like to offer the following priorities for Job Corps' reauthorization to help more socioeconomically disadvantaged young Americans reach their career goals:

1. Reduce barriers to enrollment, including easing documentation requirements and facilitating a no-wrong-door approach to engaging youth;
2. Allow a system of positive behavioral interventions and supports and a progressive disciplinary system modeled on the workplace that will maintain campus safety while enabling more students to become responsible, employable citizens; and
3. Enable flexibility to take a student- and employer-centered approach to Job Corps campus operations; and

4. Ensure Job Corps teachers, vocational instructors, mental health counselors, residential advisor, nurses and other staff are rewarded for helping students to achieve excellent outcomes and compensated appropriately.

Reduce Barriers to Enrollment

The COVID-19 pandemic has made clear the extraordinary need for Job Corps. Since the start of the pandemic, about 20,000 struggling, young Americans have applied to enroll in Job Corps. In notes to our admissions counselors and on public forums like Reddit, these young people are pleading for support. Many are homeless, hungry, or concerned about how to support their child, and Job Corps offers hope to not only escape their current circumstance, but to also invest in their future.

Unfortunately, even before the pandemic, these youth would have faced barriers to quickly enrolling in Job Corps. We require applicants to provide more documentation than is generally necessary to enroll in college, including financial and health information that may be difficult for them to access. Hundreds of thousands of youth who engage with government services in search of both housing and career development are never even made aware that Job Corps is an option.

Instead, imagine if we took a no-wrong-door approach where any young person who took the initiative to walk through the door of a one-stop center or engage with homeless support services is seamlessly referred to a Job Corps admissions counselor who would reach out to them and fully inform them about the program and its services. Application requirements should be streamlined so that the time between a young person expressing a desire to enroll in Job Corps and that young person being housed and starting their career development is measured in days,

not weeks. This could be achieved by relaxing the documentation burdens for certain youth, such as homeless youth and youth who live in congressionally-designated opportunity zones.

More Effective Behavioral and Safety Policies

Survey employers and they will tell you that while technical skills are necessary, employability skills – including responsible behavior, interpersonal skills, and communication skills – are what they struggle to find, particularly in young workers.^{viii} Youth struggling with untreated behavioral health challenges often exhibit such behaviors. Substance abuse is more common with this population as they self-medicate and struggle to cope. In a recent program year, 31% of Job Corps students disclosed a disability – the majority being cognitive such as learning disabilities, attention deficit or hyperactive disorders, or mood disorders.^{ix} An equivalent percentage of students tested positive for drug use on entry, 91% of whom test positive for marijuana use.^x According to the National Institute on Drug Abuse, youth with these comorbidities often require support to navigate the transition to adulthood with its potentially stressful changes in education, work, and relationships.^{xi}

Job Corps' statutory zero tolerance policy prevents us from supporting thousands of these youth and helping them to become more employable. The U.S. Department of Education states that there is no evidence that zero tolerance policies improve student behavior or school climate but plenty of evidence that these policies are discriminatory – particularly to students of color and students with disabilities – and result in worse academic outcomes.^{xii} Research also suggests that, as a behavioral policy, such policies are actually counterproductive and increase the likelihood that expelled students will develop worse behavior and become involved with the justice system.^{xiii}

With greater flexibility, Job Corps can successfully address problematic behaviors AND improve student outcomes. Research has shown that multi-tiered behavioral frameworks such as positive behavioral interventions and supports (PBIS) actually improve school climate and safety while increasing student achievement.^{xiv} By implementing positive behavioral interventions and a progressive disciplinary system modeled on the same policies that we use with our employees, we can better prepare thousands of students for employment. The proof is in our outcomes: 4 out of 5 Job Corps students that test positive for drug use and complete Job Corps' employment-oriented substance abuse counseling, test clean within 45 days.^{xv} Disaggregating incident reporting about health issues, including substance use and behavioral health issues, from incident reporting related to maintaining a safe living and learning environment would facilitate greater accountability with respect to promoting both employability and safe campuses.

Student- and Employer-Centered Campus Operations

The foundation of Job Corps' model and its historical success is a focus on each student's specific needs, talents, and goals: student-centered learning. Some of our students enter the program with a high school diploma, maybe even having tried college, and others enter the program functionally illiterate. Job Corps adapts to each of these students and their goals to help them travel as far as possible along their chosen career pathway.

Nonetheless, the pandemic exposed some of the limitations the program still faces in being nimble enough to meet student needs as they arise. Although we determined that our disadvantaged students would need Chromebooks and hotspots to effectively participate in distance-learning after we sent them home, it took Job Corps months to secure and distribute technology. As mentioned earlier, tens of thousands of young people are waiting to engage with

Job Corps, including some who are homeless or in potentially dangerous situations. Thanks to leaders on this Committee, Congress included language in the Consolidated Appropriations Act of 2021 to help us expedite enrolling these vulnerable youth, but we are still awaiting the necessary approvals. And even before the pandemic, our campuses struggled to be responsive to employers in their local communities as they waited months for approvals to change the trade offerings at their campuses. Our most vulnerable applicants and students as well as employers looking to meet an urgent need often do not have months to wait.

To be clear, these delays are not the result of negligence or neglect by the U.S. Department of Labor or Job Corps' youth service providers. The structure of the program and existing regulations have necessitated the Department's detailed involvement in approving campus activities and expenditures. The current transition towards utilizing firm-fixed price contracts in Job Corps offers an opportunity to correspondingly transition to an operating model that gives Job Corps campuses greater flexibility. With greater flexibility to set individualized learning plans for each student, change trades to meet emerging demands, and adjust staffing accordingly, we can work with students and local employers to create the shortest path from enrollment to employment.

Retain and Reward High Performing Staff

The transition to firm-fixed price contracts, while potentially enabling Job Corps to be nimbler with respect to meeting student and employer needs, has not been without its risks. The tendency to award firm-fixed price contracts based principally on costs has created instability in Job Corps operations and downward pressures on campus budgets and, as a result, staff compensation which comprises 65-70% of campus budgets. The fact that Job Corps operations

contracts are not subject to the Service Contract Act further compounds the challenges of ensuring our staff are adequately compensated. Nothing is more tied to the success of our students than the quality and stability of our staff. However, in recent years, Job Corps has struggled to retain its best teachers, counselors, nurses, and managers.

Clarifying that Job Corps contracts should be subject to the Service Contract Act will help ensure that Job Corps instructors and other staff are paid competitive wages. Congress included report language in the Consolidated Appropriations Act of 2021 expressing the expectation that Job Corps operators should be selected based first and foremost on past performance delivering successful student outcomes. Codifying this in statute will ensure that staff who excel in helping students reach their career goals are rewarded with job stability.

Conclusion

Over the course of the last year, Job Corps campus staff, youth service providers, and leaders at the U.S. Department of Labor have worked collaboratively to adapt to an unprecedented situation and meet the needs of our students. We collectively stood up a distance learning program in a matter of weeks, distributed food, learning technology, and emotional support to thousands of youth in communities across the country, and have safely begun resuming operations, including vaccinating students and staff. The herculean efforts from the U.S. Department of Labor to Job Corps' youth service providers to our campus staff have been a lifeline for many students.

As we continue to safely return students to Job Corps campuses, the recommendations I outlined today will enable us to build back a system that better meets the needs of our applicants, our students, staff, and local employers. There are also other workforce development policies

that would benefit not just Job Corps youth, but opportunity youth more broadly, such as disaggregating performance data to promote more equitable services to the most marginalized populations and encouraging colleges to establish articulation agreements, credit for prior learning, and credit transferability, which I would be happy to discuss.

I appreciate the opportunity to contribute to this conversation on how to better serve our nation's marginalized youth as they make the transition into adulthood and the workplace. I look forward to answering any questions you may have.

¹ Fry, Richard and Barroso, Amanda (July, 2020). "Amid coronavirus outbreak, nearly three-in-ten U.S. youth were neither in school nor working." Pew Research Center. July 29, 2020. Retrieved May 8, 2021 from: <https://www.pewresearch.org/fact-tank/2020/07/29/amid-coronavirus-outbreak-nearly-three-in-ten-young-people-are-neither-working-nor-in-school/>

² U.S. Census Bureau (May, 2021). Week 28 Household Pulse Survey: April 14 – April 26. Retrieved May 8, 2021 from: <https://www.census.gov/data/tables/2021/demo/hhp/hhp28.html>

³ Greenstone, Michael and Looney, Adam (September, 2010). "The Long-term Effects of the Great Recession for America's Youth." The Brookings Institution. Retrieved May 8, 2021 from:

<https://www.brookings.edu/blog/jobs/2010/09/03/the-long-term-effects-of-the-great-recession-for-americas-youth/>

⁴ Ibid.

⁵ Outcome Measurement System Center Report Card (OMS-10); Report Period: 7/1/2015 – 6/30/2016. U.S. Department of Labor. Retrieved February 13, 2017 from

http://www.jobcorps.gov/Libraries/Annual%20Reports/OMS10_2016.sflb

⁶ Office of Job Corps (July, 2019). Outcome Measurement System Center Report Card (OMS-10) Report Period: 7/1/2018 – 6/30/2019. U.S. Department of Labor. July 5, 2019.

⁷ Office of Job Corps (July, 2018). Outcome Measurement System Center Report Card (OMS-10) Report Period: 7/1/2017 – 6/30/2018. U.S. Department of Labor. July 5, 2018.

⁸ Youth.gov. Qualifications and Attributes Critical to Employers. Retrieved May 8, 2021 from:

<https://youth.gov/youth-topics/youth-employment/qualifications-and-attributes-employers-believe-are-critical>

⁹ Office of Job Corps (November, 2019). Job Corps Health and Wellness Report: Review of Selected Health Indicators Program Year 2018. U.S. Department of Labor. Job Corps Information Notice No. 19-02.

¹⁰ Ibid.

¹¹ National Institute on Drug Abuse (April, 2020). Common Comorbidities with Substance Use Disorders Research Report. National Institute on Drug Abuse Research Report. April 2020. Retrieved May 8, 2021 from:

<https://www.drugabuse.gov/publications/research-reports/common-comorbidities-substance-use-disorders/part-1-connection-between-substance-use-disorders-mental-illness>

¹² U.S. Department of Education (January, 2017). Rethinking Discipline. Retrieved on May 8, 2021 from:

<https://www2.ed.gov/policy/gen/guid/school-discipline/index.html>

¹³ Fabelo, T., Thompson, M.D., Plotkin, M., Carmichael, D. Marchbanks III, M.P., & Booth, E.A. (2011). Breaking Schools' Rules: A Statewide Study of How School Discipline Relates to Students' Success and Juvenile Justice Involvement. Justice Center: The Council of State Governments. Retrieved on May 8, 2021 from:

https://knowledgecenter.csg.org/kc/system/files/Breaking_School_Rules.pdf

¹⁴ U.S. Department of Education (January, 2017).

¹⁵ Office of Job Corps (November, 2019).

Chairwoman WILSON. Well, thank you so much, Mr. Garrett.

And I just want to stay that in my respective community, the president of the NAACP is a product of Job Corps and she actually said to me that if it were not for Job Corps, she would either be dead or she would be in prison because she was a rebellious teenager and immigrant from Haiti and rebelled against the grandparents that were raising her and Job Corps saved her life. Thank you so much.

Under Committee Rule 9(a) we will now question witnesses under the five-minute rule. I tell be recognizing Subcommittee Members in seniority order. Again, to ensure that the Members' five-minute rule is adhered to, staff will be keeping track of time

and the timer will show a blinking light when time has expired. Please be attentive to the time. Wrap up when your time is over, and remove your microphone. And as Chair of the Committee; I now recognize myself for 5 minutes.

Mr. Garrett, how have the 2016 updates to the Job Corps zero-tolerance policy impacted student retention in Job Corps? And what reforms would you recommend to this policy to help students stay connected to the Job Corps program?

Mr. GARRETT. Thank you for that question, Chairwoman Wilson, and thank you for that example.

We hear stories of students just like your NAACP present who recognize the value of having benefited from the program. We see that one in four Job Corps students are mandatorily expelled. This accounts for the majority of students who don't graduate. Many of those expulsions are for substance use or minor behavioral infractions.

I was visiting the Milwaukee center 2 years ago and when I was there on the ground, visiting a center, a student broke a glass because they threw a ball. They broke a window. And that was considered a major infraction, even though of us there saw what happened. Had we not engaged at that point in time, the way the policy is designed, that student could have been immediately expelled.

And so the zero-tolerance policy, we ask that in legislation that we have greater flexibility. We understand the need for greater accountability, but we need greater flexibility.

One final example is that each year over 6,000 students enroll, test positive for marijuana use and, as a result, drop out or they are expelled in less than 1091/2 months. But we also find that when students go through our full program, we are able to support them in getting the right behavioral supports they need to change their behavior and, therefore, in getting their academic needs met, as well as their employability. And so we recognize that there are major changes that need to shift within the way the current ZT policy, or zero-tolerance policy, is structured.

Chairwoman WILSON. OK. It is my understanding that, as a result of COVID0919, Job Corps now only has about 15,000 students enrolled, when they have the capacity of 60,000. What challenges does Job Corps face in enrolling more students, and what are some ways that we could address the eligibility challenges Job Corps faces as a Congress?

Mr. GARRETT. Thanks for that question as well, and you are correct. The capacity is right around 60,000. And actually in 2012, it was lowered due to budgetary concerns about 18 percent. And even if we were at full capacity, because of that lowering, there would still be additional space in many centers across the country. And during the pandemic there was a slow shift to move to virtual and distance learning. Distribution of laptops took greater time than anticipated. Because of the Federal process, the Department of Labor had to officially procure those programs versus the actual youth service provider being able to do that onsite. And we believe we could have expedited getting more students engaged and connected from a distance perspective.

I think the second piece, as you think about this particular work and how we look where students need to be going forward, we have

a different type of responsibility in this day and age. When we look at our population and we know who they are, they oftentimes, Chairwoman Wilson, it is more difficult for a Job Corps student or a student wanting to be in Job Corps to apply for this program, because of the burden of paperwork, than it is to apply for college. And we know that this process must be streamlined to become much more efficient so that a student can walk in 1 day, be referred the next, and not have to wait weeks or months to officially enter the program. So we strongly recommend really streamlining the applications and admissions process to make it more readily available.

The last thing I would say is that many of our students, as you know, coming from disadvantaged backgrounds, the health information, finance information, being homeless or transient, they don't even have the documentation required. And we know that Congress has already designated opportunity zones which tells us their economic condition. So if a student came from that environment or were homeless, they should automatically be eligible without having this additional hurdle to prove or overcome that they belong in the program.

Chairwoman WILSON. Thank you so much.

Mr. Showalter, I am concerned about youth who have become disconnected during the pandemic. How can we ensure that this population does not fall between the tracks—the cracks?

Mr. SHOWALTER. Chairwoman, I really appreciate that question.

In our field we have been doing a lot to try to keep track of adaptations and innovations that have been happening during the pandemic. My organization, the National Youth Employment Coalition, as well as the Aspen Institute Opportunity Youth Forum, have done some great jobs in documenting some of the adaptations that programs have made.

Unfortunately, there are still a lot of young people that the disconnection rate has increased markedly and at this point, you know, WIOA-funded programs only serve a little over 200,000 people each year out of, as several of us have alluded to, the 10 million that are out there and, as I think you are alluding to, the number of young people who school districts may not even have counted as dropouts yet.

So programs are doing everything they can to find young people, and for most programs they have a waiting line of young people who want to get into the program.

Chairwoman WILSON. Thank you so much.

And now I am going to recognize Ranking Member, Dr. Foxx.

Ms. FOXX. Thank you, Madam Chairman. I appreciate this, and I thank all our witnesses for being with us.

Mr. Garrett, you have painted a very, very rosy picture of Job Corps but reports like these paint a very different picture of Job Corps and show it at being almost totally dysfunctional.

We have over 30 different government reports and audits raising concerns over the safety and security of Job Corps participants. While the program is meant to be an outlet to help disadvantaged youth gain the skills necessary to achieve a good education, the past failures of the program do a disservice to students, staff, and hardworking taxpayers who fund these programs.

And I am very concerned about your saying you are at 25 percent capacity right now, and I am wondering how much of that money is going to be recovered for the hardworking taxpayers who continue to work during COVID and receive nothing from the money they are giving to Job Corps.

A 2017 report by the U.S. Government Accountability Office found that Job Corps centers reported 61 deaths of students on Job Corps campuses, another 204 that occurred offsite, a quarter of which were reported as homicides. In 2018, GAO reported there had been 13,673 incidents involving students in just 1 year in which over 2,500 were reported cases of assault. That same year the Department of Labor Office of the Inspector General reported that of randomly sampled participants with a documented employment history, over 50 percent were placed in jobs similar to those they held prior to their participation in the program and a number even returned to the same employer.

I would also like to submit for the record these reports, along with the recent article in Washington Monthly, outlining many of these same concerns.

Madam Chair.

Chairwoman WILSON. So noted.

Ms. FOXX. While I understand there are Job Corps students who find some benefits to the program, there is clearly room for substantial improvement. As we begin discussions about a reauthorization of WIOA and the Job Corps program, how can we increase accountability for center contractors and ensure that performance improves going forward to better serve students and we don't rely just on anecdotal stories from you?

Mr. GARRETT. Thank you, Dr. Foxx, for that question and the additional commentary. And I am well acquainted, as we all are now, with both the OIG and the GAO reports.

What I would tell you is that, given the student population we serve, what you identified, most of those deaths or centers were actually medical. Almost all homicides and suicides were off-center.

Our students, what we know, given their background, the situation and circumstances that they come from, they are safer in our care and on campus than they are in their respective homes, even right now in the middle of the pandemic. We know for a fact, as we have talked with students, as we have talked with their families, the environments that they come from. Many of them are literally homeless at this particular point in time, just trying to get back into a center.

And so while there is room for improvement and there always will be, as we see on college campuses that have incidents that are similar and also quite alarming, we know for a fact that the opportunities that we are providing young people to get back to where it is they need to be, we know for a fact that the program is highly effective and highly successful.

As it relates to what we can do with the youth service providers in shifting their approach and their greater accountability, we, too, share your concern in terms of accountability and flexibility. We believe our Members and the youth service providers need a greater flexibility for how they operate their program, while at the same time the Federal department, the Department of Labor, continues

to offer the level of accountability that is necessary. So this dual idea of flexibility but also greater accountability is necessary.

The last thing I would say is this. As we think about young people in this particular day and age in society as it has adjusted and it has changed and the growing needs of our young folks, the healthcare issues they have, the mental health issues that go unaddressed, the Job Corps program meets the total needs of those young people. And, again, while there is room for improvement, we know for a fact that they are better off in this particular program as we see from the successes than if they were not.

Ms. FOXX. Well, I think we keep trying to put Band-aids on programs. And until we look at what is causing these young people to be in the situations they are in, then I think we are doing nothing to improve our culture.

And, Mr. Showalter, we have run out of time. But I will submit a question to you for a response relative to comments that you made in your testimony.

This is a deeply trouble situation that we have here with Job Corps. And it is unacceptable to the taxpayers, as well as to the people who are participating in the programs and the expectations that we have for it.

With that, Madam Chairman, I apologize for going over. And I yield back.

Chairwoman WILSON. Thank you, Dr. Foxx.

And the last statement you made, you said that we needed to look at what happens and causes children to be eligible for Job Corps. And you and I started on a quest like this my first year on the Committee. So I am saying to you in the public arena that we are going to be having conversations, Dr. Foxx, about what you said and that we are on the same path. And I appreciate your comments.

And now we are going to have questions from Mr. Takano.

Mr. TAKANO. Thank you, Madam Chair.

I appreciate a hearing on this very important topic for our youth.

Ms. Fulmore-Townsend, from your experience at the Philadelphia Youth Network, how have you seen work-based learning programs such as internships, pre-apprenticeships, or youth apprenticeship programs support student success?

Ms. FULMORE-TOWNSEND. Thank you so much for that question?

There are several ways in which we have seen internships, pre-apprenticeships and youth work experience programs support student success. First and foremost, it expands the world of thinking for young people, and so they are able to make real-world connections to what they are learning in the classroom.

Second, it exposes them to a greater social capital. They actually connect with adults who support their goals. Our data shows that 90 percent—almost 90 percent of the young people who participate in our summer jobs program respond that they feel more prepared for school and more prepared for a future career after participating in our program.

Additionally, young people earn real dollars when they work in the summer. And guess what they do with that money? They reinvest it right back into the community. They use that money to support their basic needs and prepare to return back to school. And

so we have seen students' success be bolstered by employment experiences.

Mr. TAKANO. So, Ms. Fulmore-Townsend, let's unpack that word "social capital." It has been used several times by witnesses. It simply just means these young people make connections to contacts, adult contacts, or other contacts, that will connect them to other opportunities. Is that the way we think of social capital?

Ms. FULMORE-TOWNSEND. I think about it a little bit more deeply than that. So not just contacts but understanding the behaviors and the expectations of the workplace, understanding how relationships can be maximized to advance your goals, becoming more comfortable with asking questions and seeking help which are critical to any person's success. None of us here today got to where we are alone and our young people need an army, a village of adults to help them achieve their goals as well. So it is more than contacts. It is about relationship and true engagement.

Mr. TAKANO. Relationships that will often persist and become a part of that young person.

Tell me, why is it so important that these opportunities be paid?

Ms. FULMORE-TOWNSEND. It is critical that the opportunities be compensated. Young people have to learn the value of their talents. And it is important because, again, as I share, young people invest those dollars back into the community. And so we are teaching them, by compensation, that not only is their talent valued but what to expect from the workplace and how to use that money to change community.

Mr. TAKANO. Well, thank you.

From your experience as the president and CEO of Philadelphia Youth Network, as well as your role on the board of the Community College of Philadelphia—I was a community college trustee for 22 years before I became a Member of Congress—what insights or recommendations could you provide on strengthening alignment between the workforce system and the K0912 education system as well as community colleges?

Ms. FULMORE-TOWNSEND. Sure. I am proud to be a trustee at the Community College of Philadelphia, where Dr. Guy Generals is the president. And there are a few strategies that we are employing locally that I think are worth mentioning.

The first is that we ensure support through our Catto Scholarships so that young people can have early exposure to the academic content for college.

We have dual enrollment programs, which are common across the country. And I urge you to consider funding that adequately so that young people are able to prepare for college while they are still in high school—and not just prepare, but to acquire credits during that time.

We also see opportunities for alignment with teachers and college professors around math curriculum, literature skills, as well as exposing both K0912 and college professors to the industry needs.

And so there is great opportunity to close the gaps between those systems by creating more early college programs, like our Middle College—which, this year, we graduated our first class of 90 students, who will not just graduate with a high school diploma but

will also have an associate's degree. That type of innovation can be commonplace in America if we choose to invest in it.

Mr. TAKANO. Thank you so much for that answer.

Madam Chair, I am such a big fan of dual enrollment and middle colleges. And I know that my colleague Suzanne Bonamici and the Ranking Member of the Committee, the full committee—I hope that we are able to get some resources to have Members go and visit these programs. And Philadelphia is so nearby; I hope we can do that.

I yield back.

Chairwoman WILSON. Thank you, Mr. Takano. And that whole dual enrollment is such a wonderful phenomenon that we are experiencing all over the Nation.

And now we will hear from our Ranking Member, Dr. Murphy.

Mr. MURPHY. Thank you, Madam Chairman.

Let me just echo Representative Takano's statement. I think dual enrollment has been a game-changer for young adults, that they can actually pursue two different lines of education in a much more efficient and productive manner. So I agree with him completely.

Let me just turn my question to Ms. Lindner at first.

Ms. Lindner, your story is one that I hear over and over again from employers in my district and from across the Nation, that there is a disconnect between the need to get individuals back to work and the skills that businesses like yours are looking for in their future employees.

So it is one thing to give our youth a skill, but it is quite another thing that it actually is a skill that local employers need. But it seems far too often that businesses are either not aware of the services that are provided by the workforce system or that the system itself doesn't fit their particular needs.

So tell me, what benefits has your company seen in partnering with the workforce system to engage young people and provide them with the experience to work?

Ms. LINDNER. That is a great question.

Pre-COVID, you know, we had successful partnerships with the workforce boards, Triad Goodwill, and a few others. But I think, ultimately, I am seeing more challenges post-COVID, meaning that I don't think that the workforce boards and some of the partnerships out there—they are struggling just as well as we are struggling, and I don't think they have a good understanding of what a company like mine needs. And I think that it might be that they are not tasked, or they are not federally funded or what have you.

But, at the same respect, when you talk about the successes: on-the-job training. Precor was one of six founding companies for the Guilford Apprenticeship Program for high school students. While it is very successful today, for me at Precor, we struggled because a lot of the high school students did not have transportation to come to my side of the county. So that was a problem. So we ended up just doing our own incumbent workforce upskilling training and just taking it on ourselves.

And I think that is where I sit today, unfortunately. You know, I have a lot of questions. Where do I need to go? I have reached out to my business partners, and they are struggling.

So, while I don't know if I am actually answering your question about success, I know it is out there, and I am actually restarting everything. Because you have to remember, we downsized, we furloughed last year, and now we are just trying to build back better again. And so it is like I have to restart all of my programs again with my community partners.

Mr. MURPHY. Right. Well, thank you, Ms. Lindner. I do think that the American businesses are struggling now because of the effect of COVID, and even more so now because there seems to be a large propensity of folks that are needed in the workforce who are staying home—an entirely different thing that we are dealing with and something that I think, with training, will take a long time to pick back up.

In my time remaining, I am going to ask Ms. Townsend just a question.

I appreciate you sharing your experience that your organization does to support youth in and around Philadelphia. And I hear the constant disconnect between employers and individuals looking for work due to the vast and growing skills gap, and obviously which has been exacerbated by COVID.

How have you developed relationships with the employers in your area? And what do you think those businesses value when bringing young people on board through your program?

Ms. FULMORE-TOWNSEND. Thank you so much, Congressman Murphy.

With our employers, we learn quite a bit. First, employers value ease, and they value options. So, when you are creating an employer engagement system, you have to have a tiered and customized approach to building relationships, understanding their talent needs, ensuring that training is well-connected to those talent needs, giving them space and voice in the curriculum development, and building strong partnerships between the youth-serving agencies and the organizations.

For us, our employers, it is more than just being civically responsible; it is about building the next generation of talent. And so we work together to create solutions like our Career Development Framework, which is endorsed by our employers, which translate the employer expectations to basic skills that anyone can understand—a young person, a family Member, an educator—so that we are all on the same page, working together.

When employers told us they needed help with virtual internships, we responded. We created a Virtual Internship Toolkit. We provide coaching for their staff so that they can be effective supervisors with young people.

We will stop at nothing in order to ensure our employers are successful, because we know that helping them be successful is the gateway to ensuring young people are employed.

Mr. MURPHY. Great. Thank you so much. I think my time is up. Thank you very much for your response.

Madam Chairman, I will yield back.

Chairwoman WILSON. Thank you so much, Dr. Murphy.

We will now hear from Representative Jayapal.

Ms. JAYAPAL. Thank you, Madam Chair, for this very important hearing.

The Workforce Innovation and Opportunity Act is a powerful tool to equip working people with the education and training services that they need for today's labor market. As we approach reauthorization recovering from the pandemic, we have to address unique barriers to employment that are faced by young people of color in this country. That means grappling with the reality of systemic racism in today's labor market and prioritizing support for jobs that pay people a living wage.

In my home State of Washington, lawmakers and civil society organizations have long highlighted the specific issues facing young people that are disconnected from education and the workforce. Research shows that young people of color are less likely to be employed between the ages of 16 and 29 and that these early impediments leave Black, Latinx, and indigenous students worse off when it comes to long-term career prospects and economic security.

Despite the fact that racial discrimination claims are among the most commonly filed claims with the EEOC, they have the lowest rates of success, with only 15percent of cases resulting in some form of relief in 2019.

Ms. Townsend, how can this Subcommittee use WIOA reauthorization to address barriers to employment for young people of color, such as employment discrimination?

Ms. FULMORE-TOWNSEND. Thank you so much for that question.

I alluded to some of the areas that I think are really critical. The first is, we have to make sure that young people of color are connected to training that is connected to a sustainable wage. So we have to focus on growing industries, we have to be very cognizant of STEM-related fields, and we have to support any gaps in education and academic attainment that will allow them to be successful.

But it is not just on the part of programs and young people. We have to work with our employers to address hiring standards, to uncover bias, and to support them in thinking through what is actually needed for the position and how young people can demonstrate competence for those positions.

Succinctly said, there is a bar on the hiring side that every employee must clear, and we have to put the supports in place so that our young people who have been traditionally disadvantaged are able to clear that bar.

Ms. JAYAPAL. Thank you. Very helpful.

And as we think about the youth opportunity funds and the importance of those funds, are there specific features of the programs that we should be focused on improving to address the unique needs of youth that have left the traditional classroom?

Ms. FULMORE-TOWNSEND. Certainly. I think focusing on outcomes and being very specific—because what works for some will not work for all, and we have to employ flexibility when we think about how we measure success. Progress is equally as important as the ultimate goals. And we often measure the success of a program only by the end game, and there is a lot of work in between the outcome, and that should be valued as well.

I think, additionally, rethinking that 75 percent set-aside. It really forces restrictions and, as Chairwoman Wilson said earlier, unintended consequences. Intervention, prevention is cheaper.

So we should be prudent with the economic resources that we have and allow communities the ability to decide which strategy is going to be most effective. They are closer to the problem; they have the better solutions.

Ms. JAYAPAL. And last question for you: What difference does it make for the long-term earnings potential of young people of color when they are matched with jobs that pay a living wage?

Ms. FULMORE-TOWNSEND. Significant difference.

And so what we have seen from the work that we have done in surveying our alumni and collecting qualitative research as well as quantitative research is that what young people—the skills that they acquire they continue to apply. They are more likely to keep their jobs. They are more likely to earn not just a self-sustaining wage, they have better connections with their family. They tend to be more civically engaged.

And so, in short, what we are building is more civic-minded, prepared young people when they engage in WIOA programming and succeed. It is important for us to reinforce the things that work so that young people have a greater opportunity to connect to the workforce but, more importantly, to live their very best life.

Ms. JAYAPAL. That is a beautiful way to end. I think if we want to truly serve young people, we have to equip them with the skills and the resources that they need to flourish over the course of their lives. And, you know, that is everything from the counseling, the intervention that you talked about, the counseling, the case management services, and the unique employment barriers that young people of color face.

So I look forward to working with all of my colleagues to meet the needs of all young people, including young people of color, as we work to reauthorize WIOA this year.

Thank you, Madam Chair. I yield back.

Chairwoman WILSON. Thank you. Thank you so much.

I would like to remind everyone that, pursuant to the Office of the Attending Physician and Committee RuleTwo, everyone, every single person in the Committee room, whether on camera or not, is required to wear a mask, pursuant to the instructions distributed by the Office of the Attending Physician. If it is not your turn to speak, please wear your mask for the health and safety of everyone else in the room, including yourselves. Thank you.

If you are in the Committee room, please put on a mask so that we can continue the meeting.

I now recognize Representative Grothman.

Mr. GROTHMAN. OK. Can you all hear me? Thank you.

My first comment is just really a comment for Mr. Showalter. He said something I was a little bit disturbed about. “Those without bachelor’s degrees face a scarcity of career pathways for young people without such credentials.”

At least in my district, and I think nationwide, there is a plethora of people with bachelor’s degrees who wind up deeply in debt and don’t have any skills that make them any more employable. Meanwhile, whether you talk to the medical community, the manufacturing community, the construction community, there are so many great jobs out there that don’t require a 4-year bachelor’s degree.

And I am a little bit concerned because you apparently are in the area of employment. This advice, the “bachelor’s degree, bachelor’s degree, bachelor’s degree,” has allowed so many people to wind up so in debt. And, frequently, they find themselves—they go back and get a skill when they are 28 or 29 years old.

I think some of this is driven by snobbery of people who do have a college degree and think somehow their job makes them better than people without a college degree. But I encourage you to go to some construction sites, go to some medical facilities, go to some manufacturers, and you will find great jobs and, quite frankly, a lot more employment security than people who have some vague degree in social work or something.

So now I want to switch over to Mr. Garrett.

Mr. Garrett, I had the privilege of visiting one of the Milwaukee Job Corps centers outside my district with former Secretary of Labor Eugene Scalia prior to the pandemic. It was very illuminating.

But, in addition to technical skills, what can we do to better prepare young workers to meet employers’ expectations and to give employers confidence that these youth will be responsible workers?

Mr. GARRETT. Thank you, Congressman. First and foremost, thank you, certainly, for visiting the center with Secretary Scalia. We always try to tell folks, when you get to visit and engage with students and also talk with staff, oftentimes their perspective changes when you hear the real-life stories of how the program benefits young people.

But, specifically to your question, there are a number of things that we currently do and additional things that need to be done.

So the whole notion as we talk about having positive behavioral interventions and support in helping young people, outside of their technical skill for their trade, gain the actual soft skills, as some people refer to them, in business that are still necessary. What does it mean to be responsible, to show up on time, to dress and be prepared, to have conversation and be able to engage, and follow and see things through?

Many young people, as you know, especially coming from the Milwaukee area or other areas across the country, oftentimes they lack that type of structure and discipline and really rely upon the program to allow them to be in a structured, safe environment.

The other piece specific to employers is, they value the soft-skills piece in addition to the trades and certifications, because it creates a more well-rounded employee that comes to work, and they understand that they are capable. That is why we support work-based learning opportunities, to really show and not just tell employers that students are capable.

Mr. GROTHMAN. OK.

I have a general question for you. And this is kind of a followup on what Representative Foxx said.

We talk about priority populations and people who come to Job Corps without structure and discipline in their lives. What type of background causes somebody to grow up without structure and discipline in their life?

Mr. GARRETT. Well, sir, I would say there are a host of factors that come into that. I wouldn't say that there is some broad, stereotypical generalization that I would make.

Oftentimes, economic conditions certainly exacerbate challenges. If you come from an impoverished background or if you are a 16- or 17-year-old young person who is literally homeless and transient, you lack the structure, because you are trying to figure out how do I just simply navigate day-to-day living, literally hand-to-mouth every single day. Or if you have—

Mr. GROTHMAN. I guess what I am trying to get at, what type of family background would lead someone to be homeless or lead someone to not have any structure in their home? What type of family background would—

Mr. GARRETT. Well, there are a variety of family backgrounds. And I would say, as one of the Members just alluded to, systemic racism has created significant issues geographically, depending on where you live.

But what we see is that students in our programs hail from rural communities, urban communities, suburban communities, come from a zero-parent household because they have lost family Members. We see students who come from a dual-parent household. We even see students that come from an educated household.

So folks want to say that you can cast this wide net and then minimize it to say, this is the only factor that contributed to this particular student's behavior or for them to become so marginalized. And there are a number of factors, depending upon where you are geographically in the country.

I would say, as the research shows, poverty is usually the leading indicator, because you don't have access to the same level of supports and resources, whether that is mental health issues, whether it is education opportunities.

So there are a number of contributing factors that really allow someone to end up in a position that they really need the benefit of Job Corps.

The last thing I would tell you is that, also, our traditional educational system, the way it is designed and structured, does not meet the needs of every single young person, and some people need an opportunity that they can just focus. "I want to focus on my academic career so I can complete that." Or some say, "I just really need to focus on getting a great trade or a great certification so I can earn a higher wage," and they want to be in a program that is really going to position them to do that.

And if they are in a residential center, they don't need the additional distractions and noise of the environment that could allow them to be grouped with someone else, where they can really focus on their trajectory and their dedicated success.

And so there are a number of factors that contribute to how a young person ends up at a Job Corps center.

Mr. GROTHMAN. Either for you or anyone else, if I have a couple seconds: Are we doing things to make sure that people, when they have children themselves, have a more structured environment for their children? Does anybody deal with that?

Chairwoman WILSON. You are over time.

Mr. GROTHMAN. I am over time. Well, OK. That is OK. Thank you.

Chairwoman WILSON. We will now go to Ms. Manning, Representative Manning.

Ms. MANNING. Thank you, Madam Chair.

My first question I will direct to my fellow North Carolinian, Ms. Lindner.

In your testimony, you discuss the challenges that youth, especially low-income youth, face in accessing employment opportunities. And we have talked about that a little bit. But I was struck by your example of how youth couldn't access employment opportunities if they didn't have access to transportation. And I appreciate your recommendation that we expand access to supportive services for youth.

What additional supports do you see youth needing to come prepared for the employment opportunities that your company provides?

Ms. LINDNER. You know, there is probably a lot of barriers that I probably can't even begin to touch on. But, for me personally, in my organization, besides transportation, childcare. I would love to do youth apprentice programs, but, you know, the dedicated staff that they require at my organization, you know, is burdensome to a certain extent.

But, at the same respect, I think soft skills, tech skills, access to technology. You know, as an employer whose application process is done online, that is huge. I know one thing that—you know, they may have a smartphone, they may be able to do everything, but they may not have a computer. I know that is—when I do get potential candidates, I send them to Triad Goodwill, I send them to a lot of my workforce partners that I know have the access or give them the training. But, again, they have to be able to get there.

Most recently, due to COVID, Triad Goodwill that had a career center right by our office, or our location, had to downsize, and now it is 20 miles away.

So I think you have to get a buy-in with employers. I think you have to engage, you know—we have to kind of just redo it, because it is different post-COVID, if that makes any sense. A lot of things pre-COVID, you know, were working well, but this has just changed. I don't know where everybody has gone, from a candidate perspective.

Ms. MANNING. Thank you.

Mr. Garrett, one of the criticisms of Job Corps is that there is a wide variation in performance of programs across the country, with some programs providing life-and career-changing opportunities for individuals, with the performance of others indicating that some students just go back to similar jobs they have had before they started the program.

What can be done to improve performance across all centers? And what are current barriers to improving performance?

Mr. GARRETT. Ms. Manning, thank you for that question. And I also wanted to share with you, I am a fellow North Carolinian, hometown of Greensboro, from Guilford, and graduate of formerly High Point College, now High Point University. Go Panthers.

Ms. MANNING. Well, I am from Greensboro as well, so glad to have that connection.

Mr. GARRETT. And we look forward to having you visit the Kittrell Center if you have time.

I think, in relation to your question, as it relates to performance across the board and across the country, we favor the idea—and there are a number of challenges, right? So you have students who have to complete a certain amount of academic requirement, whether that is what they signed up for or whether they came to the program, coupled with their career. And so we believe that we need to have a more personalized experience for each student regarding what their particular career outcomes are and the desires for them to be engaged in the program.

And, also, on the youth service provider end, those who actually operate the campuses across the country, we want to ensure that we have a performance-based contracting process so that we are ensuring that we are hiring the best staff that are available and that folks who are operating campuses are those who have the strongest track record for performance. And so we continue to work with the Department of Labor, who issues continuous guidance and great insight around how do we improve those performance metrics.

But I will tell you, at the end of the day, just like a K0912 system or higher-education system, it really involves us more personalizing the experience for the student on what their needs and goals are to really direct them on the right pathway and not burden them with things that they don't find the necessary priority.

If I dropped out of high school, the last thing I want to hear, necessarily, is that you are telling me I need to complete this 60-hour academic component, when I am really saying, "Look, I have two kids, I may be getting ready to get married or not, and I am 20 or 19. I need a skill and trade that will allow me to do better and perform better and make a higher wage than if I just went to apply to a local employer without actually having a recognized industry-level credential or certification."

Ms. MANNING. Thank you, Mr. Garrett. And the Kittrell center is now on my list for my next district visit.

Mr. GARRETT. Outstanding. We will see you there.

Chairwoman WILSON. That is great. Thank you so much.

And now Mr. Fulcher.

Mr. FULCHER. Thank you, Madam Chair.

I wanted to just acknowledge what Mr. Garrett said just a little bit ago. He acknowledged Sergio Gutierrez, who went through a Job Corps program. He was a justice in the Idaho Court of Appeals. And so we are proud of him.

And, Mr. Garrett, thank you for that acknowledgement.

Also, Job Corps is a major pathway to help young people connect in the labor workforce in my State—forestry management, wildfire management, other jobs. And so I want to leverage that to make my sales pitch. I am a sponsor of the Forestry Education and Workforce Development Act, which is a \$20million discretionary grant program to provide degrees or certificates in forestry and forestry-related fields. So I wanted to just leverage that talking point with my sales pitch on that bill.

But, anyway, thank you, Mr. Garrett. I do have a question for you. You talked about the need for Job Corps to be flexible enough to adapt to the skills offered for emerging industries. How and what can be done to engage the business community more? Can you speak to that, Mr. Garrett?

Mr. GARRETT. Yes. And great question and thank you for that.

And I will just highlight, just for a moment, the Job Corps Civilian Conservation Centers. As we know, students through those programs, for example, have earned over \$6million in wages in recent years fighting wildland fires and preserving Federal lands. And we see those dollars going directly back in the community. And, as we know, these aren't just opportunities to learn skills, but those earnings are crucial to graduates as they successfully make the transition from being housed and fed and transported by Job Corps.

On each center, or on each campus, you will find that there is usually a business community liaison position who is working hand-in-hand with the local business community, the local workforce investment board, to really determine how not only do they place students but how do they identify opportunities, but also what are the emerging career opportunities or trades that are being projected, so that we could then align our program and certifications to be able to produce graduates who could move seamlessly into that.

And we see great partnerships like that across the country. We want to see more of those replicated and certainly enhanced, because we know that the demand is great and that we have individuals who are willing to do that.

I will say, we have also been working with the Department of Labor on trying to figure out how we shorten the timeline for, when a new trade is introduced that may be market-specific that is not nationwide, how can we accelerate the approval of that to really meet the local needs of the local workforce investment board in that particular emerging market.

Mr. FULCHER. Thank you for that, Mr. Garrett.

And I would like to also ask a question of Ms. Chekemma Fulmore-Townsend.

And, in your comments, you talked about how your partnerships with local workforce boards and employers have assisted you in preparing young people for future careers.

How do you get the word out? How do you advertise what you do? How are those programs known? Promotional, if you could speak to that, please.

Ms. FULMORE-TOWNSEND. Sure. Thank you, Representative Fulcher.

We do a couple of things to ensure that the program is well-known in the community. The first is that we partner with other nonprofit organizations that are housed in various communities throughout Philadelphia. We support those organizations in recruiting young people. We ensure that they have adequate data collection. And we make sure that they have all of the laws and regulations required for youth employment. And so our nonprofit partners are a critical component.

We also partner with our local city government. And so we are part of a larger initiative. It is not just summer jobs; it is summer

jobs connected to our Office of Children and Family Services, and we are a part of a nexus to surround families in need.

Third, we use social media very effectively in order to inform parents. We have created videos so that young people would understand what is needed for the world of work. We have a call center so that if families are struggling to get through the process, they can reach out to someone who can help navigate them.

And we have also employed technology. We have a program locator so that if you are in a community, you can find the organizations that are providing those services for you.

All of those things help us get the word out. And then we have 22 years of performance and a track record of outcomes, and the community knows us for delivering on our promises to young people.

Mr. FULCHER. Great. Thank you.

And thank you to those who provided information today.

Madam Chair, I yield back.

Chairwoman WILSON. Well, thank you so much.

And now Mr. Bowman, the vice Chair of our Committee, of the entire Education and Labor Committee.

Mr. BOWMAN. Thank you, Chairwoman Wilson.

And thank you to our witnesses for your testimony. This hearing has been very informative and very powerful.

Ms. Fulmore-Townsend, can you speak to how you make connections and build relationships with the K0912 system, if at all? How are those relationships created, built, and strengthened so there could be a streamlined effect from the K0912 system into your program? Can you speak to that a bit?

Ms. FULMORE-TOWNSEND. Absolutely. We have a thriving relationship with our local K0912 system, where Dr. William Hite is the superintendent.

So it starts at the top. First, we look at partnership on multiple levels. So not only am I in direct contact consistently with the superintendent, but my staff have multiple points of connection in the research office, in the high school planning office, and we work intentionally to design interventions and maximize local policy.

An example of that: Young people who are engaged in career and technical education programs are supported through our Work Ready Summer Program, and we help to connect them to employers in the industries in which they are studying. So it makes the classroom learning more important to the young people, and it also gives employers a chance to advance curriculum.

We also provide school-year internships, and we could not do that if we did not have good partnerships with our K0912 system.

We also, with our Career Development Framework, educators were a huge part of developing a common framework so that we could all approach career preparation in the same way. And so they helped us build that framework, and, in turn, they apply that framework to their approach to career readiness and thinking through, what are the expectations of a high school graduate?

We also monitor data together. So, when the information indicates that there is a challenge, it is not one person's problem; it is our problem collectively. And we use data to inform and instruct rather than to criticize and convict. And that has made us all more

willing to work together, to be vulnerable, and to plan for innovation.

Mr. BOWMAN. That is amazing. I would love to connect with your office and learn more about that curriculum that you speak of, because it seems like a really necessary and powerful, powerful tool.

Mr. Garrett, can you respond to the same question, just your relationship and connection to the K0912 system?

Mr. GARRETT. Yes. Thank you, sir. And, you know, we do great work in the South Bronx, just as an FYI. And we look forward to you—I am going to always extend the invitation to come to a center, given the number of students we serve—about 700 or so just in the last 2 years prior to COVID, as an FYI for you.

As it relates to our connection to the K0912 system, that varies across the board from campus to campus, but, in most cases, again, our business community liaison, the center directors, and many of the staff have robust partnerships with the school districts.

So where we find that a student is not making their way through the traditional K0912 system and they are looking for an opportunity, how can they be placed directly in our program? But we have to, again, streamline the process, because, again, as you can imagine, if you are a student who is at your wits' end in the K0912 system and you are looking for an immediate opportunity, you don't have months to capture that student's attention. The fact that they even expressed interest in the first place or they were referred by their guidance counselor or social worker or case management, depending upon their status, we need a more expeditious process to get them directly enrolled in days, not weeks or months.

And so we partner with school districts, we partner with, again, local workforce investment boards and community partners to ensure that they have a full understanding that Job Corps is still relevant, the nature of the work that we do, the types of opportunities that are available for students, and really work with them ongoing, from beginning to end, what is the process to get them in the door from their current situation to being on campus.

Because we know, when a student successfully completes the program, it doesn't just change the trajectory of their life, but it really changes the trajectory of the lives of all of those that they are connected to.

Mr. SHOWALTER. Congressman could I also respond to that question?

Mr. BOWMAN. Uh-huh.

Prior to coming to Congress, I worked in education for 20 years as a teacher, school counselor, and middle school principal. And what I have seen is a disconnect between what we are teaching and how we are teaching and what we expect of young people when it comes to post-secondary opportunities. And it just seems like the work that you all are doing—and I will focus on workforce development—needs to be not just an intervention but needs to be part of core curriculum within the K0912 system.

I think we can be doing a lot more in that space than we are currently doing. And, you know, your testimony is really important, and I think we need to continue to think about what it looks like in our K0912 spaces. So thank you all for sharing that.

Madam Chair, I yield back.

Chairwoman WILSON. Thank you, Mr. Bowman.

I had that exact conversation with the Committee staff yesterday on an issue just as you referenced. There is a huge line of demarcation that should not be there between K0912 and post-secondary. It should be a smooth transition. And there are so many issues that we need to address to make sure that that transition is much smoother. And we have to educate our K0912 curriculum and superintendents and State legislators as to what they need to be teaching to make it smoother.

So we will get to that in our Committee and thank you again. And now we go to Representative Miller-Meeks.

Welcome.

Mrs. MILLER-MEEKS. Thank you so much, Madam Chair, Ranking Member Dr. Murphy, and all the panelists presenting here today.

My congressional district is very fortunate to have the Ottumwa Job Corps Center in my home community, which is one of the newest and highest-performing centers in the country and enjoys a very productive relationship with nearby Indian Hills Community College. And as Dr. Murphy alluded to in his opening remarks, this relationship and partnership does not exist adjacent to or with every Job Corps center.

This partnership allows my constituents and the students at a time when there is a study that has a plethora of trades available at Indian Hills, such as advanced manufacturing, while still benefiting from the wraparound support services and residential environment at the Job Corps campus.

For Indian Hills, it allows them to send more remedial students to Job Corps who might not be ready for a community-college environment and to get the needed education, training, and support services before they eventually matriculate back to college.

Mr. Garrett, it is my understanding that these types of community-college partnerships exist elsewhere, and Job Corps, but may not be to the same degree as this one. How might we improve the Workforce Innovation and Opportunity Act so that these types of partnerships are easier to build and to encourage more innovation at the local level?

Mr. GARRETT. Thanks for that, Congresswoman Miller-Meeks. And you are exactly right; the Ottumwa Job Corps Center is a true beacon of hope, I think, for the entire country. The partnership between Ottumwa and the Indian Hills Community College represents the gold standard for the Job Corps-community college partnership across the country, and we are figuring out ways to really replicate that quickly.

As some may know, our former board Chair, Dr. Jim Lindenmayer, was president of Indian Hills Community College. And he really sought to help replicate the model, because he was able to forecast and say, this is what is going to be necessary, that we should be working in tandem and in partnership.

And just to go a little further, for those that may not be familiar, the Job Corps Scholars Demonstration Program, which Indian Hills is currently participating in, it demonstrates that the model works best when there is this unique partnership between the Job Corps center and Indian Hills. And a prime example is that it allows stu-

dents to transfer not only from the Job Corps center to Indian Hills, but it also allows for students from Indian Hills who have remedial issues or challenges to be referred to a Job Corps program where those student's career goals could also be met.

And so the statute right now in the Department of Labor should really be structured in a way that it encourages these partnerships, but not separate grants in isolation. And we have seen over recent years that we have seen funding come out or opportunities come out that are separate and apart, and we all need to do a better job to make sure that they are better integrated.

The last thing I would say is just this notion of credit transferability and credit for prior learning. College partnerships really give our students access to college credits. Similar to a high school student that is dually enrolled, students in Job Corps centers also have that unique opportunity. And then it lowers the barrier for college completion by improving that credit transferability and the credit for prior learning.

So we look forward to figuring out how we continue to advance that partnership and showcase that, for others to then also take advantage and follow in your stead in the State of Iowa.

Mrs. MILLER-MEEKS. Well, thank you for that. And I have had the opportunity to visit the center, and so I would encourage others to do the same thing.

And, with that, you know, one of the policies—and I think you discussed this, Mr. Garrett, in your remarks—is the impact of the Job Corps' zero-tolerance drug policy. And you recommended moving to a more positive behavioral intervention model.

And I understand that there may be some nuances, you know, that are not allowed in a zero-tolerance model. But I also believe that we cannot lose track of accountability and that there must be consequences for poor decisions.

How do you recommend we strike a balance so that we can truly improve outcomes for these young individuals?

Mr. GARRETT. Yes. Make no mistake about it, and you are exactly right: Students will still be expelled who don't rise to the occasion, who cause harm, or put the overall program or other students in jeopardy.

And so no one is saying that, because we shift the zero-tolerance policy, that we negate the notion of accountability. In fact, you will find that students on campus and staff on campus are all in agreement that we need to ensure that folks who really want to be in this environment are doing their very level-best, because no one wants the program to be jeopardized in that way.

But when you think about positive behavioral interventions, we look at our success rate for students that have tested positive for marijuana use or substance use that go through the program. Four out of five of them end up with a negative test when they test the second time. So we know for a fact that, once staff have the opportunity to work with students to change their behavior, to help them understand why they need to shift, that we see a significant outcome and a significant turn.

And so, in this process, our campuses are fully aware of the need for accountability but also acutely aware that we need a different approach than just simply saying, "Oh, you tested positive."

I will use this quick example. If I were going to a center next weekend and I was in an area where I may have used marijuana or whatever I was doing that weekend, like any student who would go to college, we would end up having a great time that particular weekend, and then you show up on Monday and all of the things you did you are now paying for in that test, and we say, "I am so sorry. This no longer works for you."

We have to think differently about the approach, which I believe folks are in agreement with. It is a matter of how do we nuance the language in a way that protects the accountability but also provides flexibility, accounting for who our students truly are and the backgrounds that they come from.

Mrs. MILLER-MEEKS. Thank you so much.

And I yield back my time, Madam Chair.

Chairwoman WILSON. Thank you so much, Mrs. Miller-Meeks.

And now Representative Castro.

Mr. CASTRO. Thank you, Chairwoman.

I wanted to ask you all how you help students navigate, those who are trying to attain a degree, a credential, what often is a work-school tug-of-war, particularly for low-income students who come from backgrounds where their families can't just pay the full bill for them to go to college and yet financial aid is not enough, so they are having to work, sometimes many hours at a time, and that work is sometimes interfering with their ability to complete their schooling.

And how do we navigate that? How do we help them navigate that? And what should we do about it?

Mr. SHOWALTER. Congressman, if I could jump in here, I think one thing that we are lacking in this country is a real continuum of work-based learning opportunities.

Apprenticeship is a very familiar model of an earn-and-learn model. Summer youth employment is another way that we think about it.

But we need a much more integrated continuum, starting in middle school, that includes our higher-ed system, that includes our workforce system, that gives young people agency in choosing the kind of program where they can earn, where they can learn, where they can take care of family Members.

There are lots of examples of this in another countries, and there are some cities that are doing this well. So we just need to replicate those kind of models.

Mr. CASTRO. Because we never—you know, for folks that are trying to complete their degree, for example, you don't want them to be so engaged in work that work becomes a distraction from the goal that they are trying to achieve, right, which is ultimately to get their 2-year degree or their 4-year degree and then go into their career field.

But in my hometown of San Antonio over the years, I have seen many people who have been stuck in this work-school tug-of-war for quite a while, and ultimately work ends up winning out, and they give up on their ultimate dream of being a nurse or a doctor or an engineer or whatever it is, because they were never able to get out of that work-school tug-of-war. And so I raise that issue just because I have seen a lot of students who are stuck in it.

I believe, for example, that we ought to expand Pell grants, as I think a lot of us on this Zoom call believe; that, also, we should make things like community college free, that we should cancel some student debt, and so forth. But, you know, we are not there yet on those policies.

And so I wanted to get you all's perspective on how we deal with that very real situation that so many students are facing.

Mr. GARRETT. And, Congressman Castro, if I could—and thank you for being a caucus Member for us for Job Corps. I realize you are speaking about it in the context of post-secondary and going on to higher ed.

Mr. CASTRO. Sure.

Mr. GARRETT. I just want to call out a clear example, too, for students who are on the other end of the spectrum, who are not quite there yet. That is one of the reasons we see that our centers provide childcare and, like, Head Start programs, so that the student is able to focus on their academic requirement, whether that is getting their credential or their GED or diploma, while at the same time getting their career piece.

And we have seen that model work really well because students grapple, to your point, with so many different issues in trying to navigate the space. On our end and for the students that we really serve, we have found that being able to look at the totality of the students and trying to figure out how do you support their needs across the board, it makes a fundamental difference for them to stay focused on what they need to do academically while they are also pursuing their career opportunity.

I just wanted to add that for folks who may not have that level of awareness. And we certainly appreciate your continued support.

Mr. CASTRO. No, absolutely—

Ms. FULMORE-TOWNSEND. Congressman Castro, I would also like to—

Mr. CASTRO. Please.

Ms. FULMORE-TOWNSEND. I would like to offer an example from the community college that I think could be particularly instructive.

We have a single-stop model, where students are able to get multiple needs met and also maximize public benefits toward their education. So I do think that one strategy to managing this tension is to make students more aware of the resources that are available with them to help alleviate some of those burdens so that they can navigate their basic needs while they pursue their education.

And, additionally, as a student who worked two part-time jobs and graduated a year early from an Ivy League institution, I understand how challenging it can be. We have to empower students and help them plan and navigate toward the end game, which is achieving the diploma.

So enhanced case management, support for professional development—those are the types of recommendations that will equip adults to support students very differently as they travel along this path.

Mr. CASTRO. No, well, thank you all. I am a caucus Member and thank you for all the work that you all are doing for folks around the country.

Ms. LINDNER. Could I speak as an employer, if you don't mind, real quick?

Mr. CASTRO. Yes, of course.

Ms. LINDNER. This is where short-term Pell grants come into play.

We, as an employer, have most recently started some part-time work. That is nontraditional. We stepped out of the regular, you know, 40910 schedule. We went to the community college when we needed skilled welders, and we said, "You are in school. What is your school schedule? What can we do to work around it?"

Mr. CASTRO. That is great.

Ms. LINDNER. So we just thought out of the box.

So short-term Pell grants, definitely, that has to be expanded.

Thank you.

Mr. CASTRO. No, thank you. Wonderful.

I yield back, Chairwoman.

Chairwoman WILSON. Thank you. Thank you so much.

And now Representative Good.

Mr. GOOD. Thank you, Madam Chairman.

And thank you to all of our witnesses. It is a privilege to engage with you all today on these topics.

We obviously have issues, as a country, with youth unemployment, especially among those most disadvantaged, most at risk, and most vulnerable. We also have major issues, as a country, with out-of-control government spending that is excessive, to say the least, poorly targeted to address real issues, terribly mismanaged, and, at best, so often shows little to no positive results.

The real issue plaguing our society is the breakdown of the traditional family structure, which is the number-one cause of poverty and other social ills. More government spending does nothing to improve this and often incentivizes the wrong things, the wrong behaviors, and, therefore, makes things worse. So many government policies undermine marriage, the family, our founding Judeo-Christian values, and even important fundamentals such as work ethic, self-reliance, and personal responsibility.

I have people close to me who work as employment consultants for disadvantaged and at-risk individuals, and they are extremely inhibited in their ability to help those who won't take a job as long as Democrats keep giving them enhanced unemployment. This is just another example of Democrat spending that makes the problem worse instead of better. Business owners will tell you, along with the "help wanted" signs that we see posted everywhere and the nationwide backlog in manufacturing—all tell us that this enhanced unemployment is making things worse and keeping people from taking jobs.

The Democrat policies that caused our \$30trillion deficit, runaway inflation that we are starting to experience, including, specifically, soaring education and healthcare costs, and energy costs that are skyrocketing because of reduced American energy production, these crazy climate and environmental restrictions on the industry—and this is all before the recent cyber-attacks on our infrastructure. All of this increased cost, increased inflation, increased energy, healthcare, and education costs, this all disproportionately

impacts these lower-income youths who we say that we want to help.

Of course, my friends across the aisle have the same answer for everything: more money, taken from the hardworking-taxpayer-money tree, regardless of the lack of evidence of results achieved other than isolated, anecdotal examples. I share Ranking Member Foxx's already-expressed concerns about the problems with these programs and the lack of demonstrated results achieved.

The aforementioned by Representative Foxx, the 2018 GAO report, which showed that Job Corps had nearly 14,000 safety and security incidents in 1 year. That breaks down to an average of more than 100 per 120 centers throughout the country. So more than 100, on average, for each of the 120 centers throughout the country, with half of those being drug-related incidents and assaults.

Of course, the Democrats want to therefore make the drug offenses legal. And I hope they won't also make the assaults legal too, after they eliminate our police and our correctional facilities.

Furthermore, in a 2018 Department of Labor evaluation, YouthBuild was shown to have a negligible effect on obtaining a college degree or work participation despite \$100 million in annual funding.

Of course, Democrats will say, "We just need to spend more money," since that is their measure of success. "The more money we spend, the more successful we are. Look what we are doing for people. We are spending more money."

I do have a question for Mr. Garrett, because the Old Dominion Job Corps Center is just outside my district, and they have highlighted some of their successes with my staff.

But I know how difficult, Mr. Garrett, it can be for a Job Corps center to be nimble and shift trade offerings to respond to employer needs. Often, bureaucrats in Washington are making those decisions.

Can you speak to how we can help in Washington your ability to shift trade offerings and training offerings to meet the needs of employers?

Mr. GARRETT. Thanks for that, Congressman Good.

And you are exactly right; the Old Dominion Job Corps Center just outside of Lynchburg, as you know, has a phenomenal relationship. And many employers that—you talk about folks going back to work—like McLaren Corporation and Winnbo Electric, directly in the area, they have already expressed the need for highly skilled and motivated employees, which oftentimes they receive from the Old Dominion Job Corps Center.

And this notion, how we can become more flexible, agile, and nimble so that we can meet the needs of those employers in our market, are one of the things we hope that the Subcommittee and the ultimate Committee will tackle to lessen that requirement of how DOL has to make the final authority and offer the local campus that ability to really make the adjustment, working in tandem with the local employer to meet their needs, where students are ultimately going to be placed.

And I used this example earlier, and I will cite it again for reference. We know that if a corporation approaches a center, we

shouldn't wait 9 months to get an approval for an official trade when we know that jobs are going to be available in 6 to 9 or 12 months. Instead, that local campus should have the authority and autonomy and then be judged based upon their performance, right?

But they are doing that in partnership to meet the local demands in the communities so that those students, when they complete their program, can go directly to work and be a valuable, contributing citizen in that respective market.

Mr. GOOD. My time has expired. Thank you for your answer.

And I yield back, Chairman.

Chairwoman WILSON. Thank you. Thank you so much.

Mr. Courtney? Representative Courtney?

Mr. COURTNEY. Thank you, Madam Chairwoman.

And, again, I think the kickoff of the reauthorization of WIOA today is, again, a really exciting opportunity for good bipartisan support. And I don't just say that, you know, as a sentiment. I was around in 2014 when we had the bill-signing ceremony at the Executive Office Building when the last WIOA was authorized. And we had Virginia Foxx and we had John Kline, the Republican Chairman of the Education and Labor Committee, and we had Barack Obama and Joe Biden, and it was a bipartisan lovefest when that bill was signed into law.

And, you know—but it was not the Ten Commandments. We certainly need to revisit some of the provisions. And I want to thank all the witnesses today for their really thoughtful input, because, you know, I am very optimistic that we move forward.

By the way, with the job numbers that came out last week, I think it is important to drill down a little bit deeper into the data. And, actually, if you look, it was low-wage workers where had the highest number of job growth in that report.

In fact, the cohort which was where I think the biggest sort of frustration was, and I think all of us was frustrated, was actually more higher-skilled, higher-wage jobs that were not filled in the economy.

And that is precisely what we are talking about today, which is trying to close that gap with a job-training system that will get people the skills they need to succeed at a higher level.

Madam Chairwoman, you have talked a little bit about the well-intentioned language which was in the 2014 bill to allocate 75 percent for out-of-school youth. Again, it was well-intentioned. I think, you know, we thought that that was really where the need was the greatest.

But, obviously, I am hearing from my workforce board that that really has been pretty clunky, in terms of trying to get the help out to, you know, the broadest number of people that could benefit from the workforce programs that they have.

And, Mr. Showalter, maybe—you know, I know you talked about it a little bit in your testimony as well. But, I mean, at some point, we actually do have to put pen to paper. I mean, can you give us a little more, sort of, input about how you would fix that problem?

Mr. SHOWALTER. Congressman, I would love to help you put pen to paper.

As you may know, I was on the staff for Chairmen Kennedy and Harkin when we were initially negotiating what became WIOA. And the in-school-youth/out-of-school-youth distinction is a carry-over from previous laws. That was the framework within which we could move at the time.

And I do think it is critically important that we stay focused on the fact that this is one of the only Federal funding streams designed to connect young people with barriers to employment, to education, and work. So I think the most important thing is to maintain that intent.

In my written testimony, I provide a way of kind of getting past the in-school-youth/out-of-school distinction, which is clunky and makes eligibility too complicated. We propose a simpler "priority populations framework," is what we called it, where it is purely based on types of young people.

And the other critical part of that is allowing for self-attestation, which DOL has already issued guidance on, many States allow. Allowing young people to say, "I am experiencing homelessness," "I am connected to the justice system," without having to bring 15 documents with them, would also make work so much easier for providers and workforce boards to implement this law.

Mr. COURTNEY. Great. Well, thank you.

And, Ms. Fulmore-Townsend, I don't know if you maybe wanted to comment on that, about how we can make this, you know, again, a much more flexible sort of program to get, you know, the furthest success.

Ms. FULMORE-TOWNSEND. We definitely support Mr. Showalter's recommendations regarding the priority population, but also simplifying eligibility. It is triggering and traumatizing to constantly relive your pain in order to get help. And I think that we could do a better job of making services more available to young people faster by having less eligibility restrictions for the use of the services. And self-attestation would help when they have challenges to secure some of the documentation that is currently required.

Mr. COURTNEY. Great.

And one quick question for you. Again, our workforce board, which just got an award last year as a pioneer for their manufacturing pipeline program for the shipyard, they work with unions. The metal trade unions were part of the curriculum that was developed that has been so successful.

I mean, can you talk about the value of reaching out to unions as we sort of, you know, develop—yes.

Ms. FULMORE-TOWNSEND. Absolutely.

Congratulations on your award. I think innovative partnerships like the one you described is a firm step forward in making sure that young people are prepared for jobs.

It is important to look at the requirements of an industry and to engage those industry leaders in the process to prepare young people, in terms of training, in terms of opportunities for work, and especially in the advanced space. And so I do think that it is a critical strategy that we should see more of throughout this country.

Mr. COURTNEY. Great. Thank you.

I yield back, Madam Chairwoman.

Chairwoman WILSON. Thank you so much.

Now Mrs. McClain of Michigan.

Mrs. MCCLAIN. Good morning or I should say good afternoon to everyone.

Thank you so much, Madam Chair, and I do have to tell you I love your hat. It always make me happy.

A couple of comments. First is, as you know, I am new to Congress but it is so refreshing to hear the business community, as well as the young people's program, actually working together and having a partnership of togetherness with the youth community programs, as well as the businesses. So often I think we look at businesses as our enemy as opposed to these are the people and the entities that actually provide the opportunities.

So I can't tell you how refreshing that is, as well as it is very refreshing to hear, again, how important it is we are focusing on what outcomes do we need for our youth, because as a former business owner, it is very important to make sure that when we get people, employees, that their skills match our needs. So, again, I am happy to hear this.

My biggest question is for you, Mr. Garrett, is coming out of this pandemic, there is thousands of young Americans who can benefit from Job Corps right now and need meaningful employment. Many are likely single parents from whom there is as desperate urgency to be able to enroll in Job Corps so they can be housed and begin their career development. I am questioning is: Have you resumed in-person learning? Are you open for in-person development?

Mr. GARRETT. Yes, and great question, Congresswoman McClain.

So Job Corps centers have resumed operations at most sites and returned many of our existing students. In some cases we are awaiting approval from the Department of Labor to officially enroll new students, but I am understanding we are almost about to turn that particular corner.

The other thing you should know is that every Job Corps center has also submitted a plan to begin virtual enrollment, expediting that process to help students who were not already on the books but new students begin to transition into in-person learning as well.

I would just tell you that, you know, the Federal Government's policy approval process though, it can be laborious and slow moving at times. And you know as a former business owner, that doesn't help anyone when you got a student saying, I don't have months to wait. I need an immediate solution now. And you have a bed and space. We shouldn't have a Federal process in place that prevents that student from getting to where they need to be.

But, yes, resumption has begun in most cases. And many of the students have returned.

Mrs. MCCLAIN. Good. It is so refreshing, again, and I keep using that word, and hopeful, in terms of we can figure out how to keep everyone safe and—and that is the operative word—and be productive.

Mr. Showalter, I have a question for you as well. As one of the problems you discussed earlier was the—in your testimony was that of rural opportunity deserts where the disconnection rates among young people, they are almost four times greater. What are the primary drivers of this rural urban divide? Because I am very

much a rural community in my district. And how can we improve it? How can we help?

Mr. SHOWALTER. Thank you for the question, Congresswoman.

As you might or might not know, I am actually from a small town in Oklahoma. When I was a kid there, one of the biggest employers was Mercury Marine which makes motorboat engines. They left when I was a kid, and I've seen what has happened to a lot of our rural communities.

As a side note, I think, like a lot of us, we will all be very interested to see kind of what happens as remote work picks up and whether that results in kind of some increases in population in some rural parts of our country.

But something to underline that a quote that sticks with me is one of my former board Members who is a youth director at a workforce board, who works in a large city. She said we talk about this system like it is a system. But once you get outside the large systems in a lot of our states, it is not a system. There is a patchwork of programs, but there aren't a lot of opportunities.

And the workforce board, there isn't enough funding for it to act as that convener that is really needed to knit together all the different kinds of service offerings to build strong relationships with employers, to work with economic development, to bring in new employers.

So there is really a lack of infrastructure in a lot of areas. We have over 500 workforce boards. A lot of those are operating with one, \$2 million, \$3 million budget.

Mrs. MCCLAIN. Is it more of an employer issue where we need to bring more employers to those rural areas?

Mr. SHOWALTER. Yes. And I think we can do that, especially with the rise of remote working. I would love to see that.

Mrs. MCCLAIN. Thank you.

With my time, I yield back.

Chairwoman WILSON. OK. Thank you so much.

And now Representative Bonamici.

Ms. BONAMICI. Thank you. Thank you, Chair Wilson. Thank you, Ranking Member Murphy, but truly thank you to our witnesses for this important conversation today.

It has been a really tough year and during, throughout, in fact, this economic turmoil our workforce system has been nimble and important and a way to support workers. I have had many conversations with local workforce boards, community colleges, labor unions, community-based organizations from across northwest Oregon. You know, they are working on supporting displaced and underemployed workers and getting them the skills they need.

And they are striving to provide those workers, particularly those with barriers to employment, with the skills they need for meaningful employment. But we know that far too many workers including many opportunity youth really lack adequate housing, childcare, transportation, and other supportive services they need to succeed to get through the training but also these—once they get into these good-paying jobs.

So we know that our workforce system has been chronically underfunded and I don't know if Mr. Courtney is still with us but I was there as well on that day, the bipartisan day in July 2014

when the Workforce Innovation and Opportunity Act was signed into law. And as we reauthorize it, finding these investments in workforce programs and the support services will be—will help us truly build back better.

So I want to ask Ms. Fulmore-Townsend. You were talking about this in your response to Mr. Courtney's question. But what barriers do the students typically face in the WIOA youth programs, and how does Philadelphia Youth Network help the students overcome these barriers?

Ms. FULMORE-TOWNSEND. Thank you for that question.

In our experience the barriers range, depending on circumstances, but some that we see are lack of childcare assistance. Sometimes they need approval for the childcare substance and that approval doesn't come in time for the enrollment courses. Courses operate in 6, 8, or 12-week increments. And you might in is the start of a next class because you don't have the adequate childcare.

We definitely see insecure housing and so what we see is not necessarily what you would define as traditional homelessness but really a lot of couch surfing and it takes a little while to discover that. Right?

Ms. BONAMICI. Right.

Ms. FULMORE-TOWNSEND. "I am staying with my friends." You don't have a problem until your friend's parents say you can't stay here any longer. "I am staying with my cousin." So it is a pattern of behavior that the professionals have to be really keen to observe in order to understand that this housing insecurity is really a challenge.

One of the things that I am proud of is that the Community College of Philadelphia, they are working with our housing authority to provide housing for those students. And we also see independent living programs through our Department of Human Services be really helpful in this space.

Additionally, we do see the need for enhancements of health services and sometimes emotional supports and so being able to connect young people with substance abuse treatment and support for their mental health needs is another thing that we see.

Ms. BONAMICI. So important.

Ms. FULMORE-TOWNSEND. And how do we close the gap between, you know, behavioral health entities and their requirements and the requirements of the program? We should—

Ms. BONAMICI. I appreciate that and I don't mean to really cut you off, but I want to get a question in for Mr. Garrett and my time is running out.

Mr. Garrett, I represent Tongue Point Job Corps in Astoria, as well as the PIVOT, Partners in Vocational Opportunity Training, in northwest Portland. And at these centers we know students who have faced challenges in the traditional education system can really thrive academically and earn credentials and practical skills, welding, seamanship, which is really important on the coast, landscaping, and others.

On the Committee we frequently hear about the need to prepare for the future of work and technological changes in our workplaces likely require the majority of workers including youth to reskill or upskill to remain competitive. What resources would Job Corps

centers need to better help students prepare for the future of work, and what are the current barriers to Job Corps programs offering opportunities for the sort of in-demand skills?

Mr. GARRETT. Great question. Thank you for your continued support, Congresswoman Bonamici.

And as you know, the students in Tongue Point and from the Pivot satellite center, we have seen about almost a little less than 80 percent of them have success rate being placed in employment and higher education—

Ms. BONAMICI. Right.

Mr. GARRETT [continuing]. going into the military.

Ms. BONAMICI. And they are very supported by the communities.

Mr. GARRETT. Yes. And I was going to say so at the local level we really believe that the partnership with the business community, trying to determine what are the future needs and trends and then working with the center to then identify what trades need to be structured to meet that projection.

Again, I will just reiterate this notion that at times the slowdown process at the Department of Labor and getting the approval for a new trade or a new opportunity sometimes can pose a barrier. They work through it, but sometimes we miss the window. Right? You miss the curve, because the employer is going say either I need to pick another market, or I need to pick another partner to help deliver this.

And so our students recognize it as well because they, too, want the new in-demand jobs that are also high-wage and so we continue to work in partnership and hope the Committee continues to urge the notion of figuring out how we streamline that approval process for new trades and opportunities.

Ms. BONAMICI. Thank you, Mr. Garrett.

My time has expired, but I know that we are all willing to work on breaking down those barriers. So I yield back.

Thank you, Madam Chair.

Chairwoman WILSON. OK. Thank you.

Mrs. Harshbarger of Tennessee.

Mrs. HARSHBARGER. Yes, ma'am. Yes, ma'am. Thank you, Madam Chair and Ranking Member Murphy and all the witnesses.

It is a big deal, and I am very involved in workforce development and getting these young people trained. That is most imperative, especially those that don't have an opportunity.

We want to give them an opportunity to be contributing to the workforce. I mean, we need them. And, you know, these programs will do that if employers are on board and at the table and the system is focused on meeting those young people's needs.

While we are discussing the WIOA youth programs, I would like to bring attention to the importance of occupational licensing reform. There is this licensing requirements affect approximately 25 percent of employees nationwide, and that number is far higher for wage occupations. Many of these professions are taught at programs like Job Corps and they require an occupational license and the burden of acquiring that license keeps a lot of those people out of the workforce.

Since these licensing requirements is a barrier for entrance into the workforce, we are spending money on programs to get Ameri-

cans to work without fighting these licensing requirements. We are really kicking ourselves in the foot.

And I do have a bill, I want you to know. It is called the Freedom to Work Act. It is H.R. 3145 that amends WIOA by requiring states to include their plan to reduce and how to reduce occupational licensing burdens as part of the WIOA State plan. Any WIOA reauthorization bill should include those provisions to reduce occupational licensing burdens on those workers.

And I do have a question for Ms. Lindner. I know that one of the challenges, as we have already spoken about, is many employers are faced with school closures and it has forced parents, who would otherwise be looking to reenter the workforce, they have to stay at home and take care of that child or their children. In particular, this has adversely impacted women.

Has your company faced difficulties with recruiting those women workers, because they have been forced to home school their children or stay at home with those children?

Ms. LINDNER. Good question. Good point.

Currently I am not seeing it per se but I know that when—back in 2020, when we were coming back from, you know, we were ramping back up after furloughing a majority of our workforce, we knew that we would have, whether it be men, women, father, mothers, or what have you, that they may not be able to come back. So we put out a program, you know, asking: Do you have an issue working full time? And we had several people come forth, and so we worked around part-time work. We worked around to make it work.

Now that we are actually full-scaling back up, there are technically probably I would say less females and some single fathers on top of it coming back—not coming back to the workforce and we are recognizing that.

That is why I think I have said I have got to be out-of-the-box thinking when it comes to hiring future candidates into our workforce. The traditional isn't working. I am reaching out to my workforce partners, asking for help. I don't know if I have the exact one answer, but I know that what I was doing pre-COVID isn't working and I have got to change as an employer. I have got to think differently. Hopefully that helps.

Mrs. HARSHBARGER. Yes, absolutely. It is not just you. It's everybody. We are looking for people. It doesn't matter what profession you are in either and, you know, we are trying to get people into the workforce to teach them a skill, to make them productive, to give them a future in a trade and something they can carry on and it is hard. I mean, I am pharmacist. And it is hard to get people to work in the pharmacy because in some instances with certain jobs, you know, they are staying out so—and especially women because they do have to take care of those children. But it is an ongoing need and it is good that you are thinking differently and when you find that answer, please report back to us. That would be fantastic and know we are working for you, too.

OK. Thank you. Madam Chair, I yield back.

Chairwoman WILSON. Thank you. Thank you so much.

And now we will hear from the distinguished Chair of our entire Committee, the Education and Labor Committee, Dr. Scott.

Mr. SCOTT. Thank you. Thank you, Madam Chair, and Ranking Member Murphy.

I would like to start my questions with Mr. Garrett. Mr. Garrett, the Ranking Member of the full Committee asked you about all the deaths that were happening on campus and in the Job Corps program. And I am looking at a chart that confirms, in fact, people do die.

Per 100,000 people on a Job Corps site, who live on a Job Corps site, about 4.26 per 100,000 die. If you are at the Job Corps program but not onsite, it is 25.5. But the national average—this is mortality rate—is 74.9, which suggests that you are 6 percent—you are 6 percent as likely to die if you are on campus than if you are just in the community. And the—and the homicide rate, if you are in a Job Corps program, this chart says it is 4 per 100,000 but 11.9, almost 12, almost three times more in the community.

Is that what you meant by Job Corps is one of the safest places you could be?

Mr. GARRETT. Thank you, Chairman Scott.

And you are exactly right. And I appreciate the additional statistics because you are right. A person is three times more likely to potentially die from a homicide by not being on-center.

We know for a fact the severity of the situations that many of our students face who are either homeless, transient, or their immediate family environment and going from pillar to post that they are safer being on our campus. That does not mean we don't have issues and challenges like programs do.

But what we know not only from anecdote but from the data, as you just shared, the students not only are safe and secure but they are also getting the education needs that they have, the behavioral management in place so that they can then be an employable citizen and we see significant differences as the student matriculates throughout our program.

Mr. SCOTT. Thank you. And, Mr. Garrett, the appropriations, the program is getting about \$200 million less each year than is authorized under WIOA. How does the shortfall affect your ability to fulfill your mission?

Mr. GARRETT. Well, sir, we have a number of issues.

As I talked about getting trade approval or new materials and requirements or equipment as required, that is one piece of it.

One of the more alarming pieces that affects almost every campus in this country is the continued underfunding from a construction perspective in terms of the requirements that are needed to either update centers or to upskill them so that our students cannot only continue to be safe, if it is fencing that is required, but also have access to the appropriate equipment they need. And so it has gone for a period of time.

The other piece of that conversation is also, because of the enrollment pause or freeze in 2012 where we lowered the number of available slots by 18 percent, even if we were at full capacity, meaning we meet the DOL number, we still have space and so there is still an opportunity for us to figure out a better solution for that to actually get back to our original numbers so that we can fulfill the mission and have more students actually available and avail themselves of the opportunity.

Mr. SCOTT. Thank you.

And Ms. Fulmore-Townsend, do you have any statistics about the impact summer youth employment has on violent crime rates?

Ms. FULMORE-TOWNSEND. Yes, we do. We just recently received a report from Dr. Heller about our work in 2017 and 2018. And the research is showing that it not only encourages productive behavior, it decreases incidents of violent crime and exposure to risk factors for violence in Philadelphia.

Mr. SCOTT. Is it significant enough to show cost savings? The one study in Chicago said they saved so much with the summer jobs program, that they reduced crimes so much, that they saved so much in future prison and whatnot that they paid for the whole program.

Ms. FULMORE-TOWNSEND. We don't quite boast those statistics as Chicago because our sample size was a little bit smaller and our strategy is a little bit different than Chicago. However, we are working with Dr. Heller to estimate the cost savings of our approach.

Mr. SCOTT. You showed—thank you for mentioning the Opening Doors for Youth Act. We are about to introduce that in a few days. But you indicated a little frustration about the 75 percent being required for out-of-school, out-of-work rather than for prevention. Can you say a word about that?

Ms. FULMORE-TOWNSEND. Sure. We endorse the priority population format that Mr. Showalter talked about which would allow us to look at different groups of young people and make them eligible, rather than forcing communities to limit their approach based on the 75 percent funding split.

Mr. SCOTT. Thank you.

And thank you, Madam Chairman. My time has expired.

Chairwoman WILSON. Thank you.

Now we will hear questions from Ms. Letlow of Louisiana. Welcome.

Ms. LETLOW. Chairwoman Wilson, Ranking Member Murphy, Members of the Subcommittee, and witnesses, thank you for taking the time to discuss opportunities for youth employment under the Workforce Innovation and Opportunity Act.

It is important that WIOA has dedicated resources aimed at preparing young adults for fulfilling years. Programs like YouthBuild are benefiting individuals in my district, providing education and workforce development for out-of-school youth. Northshore Technical Community College in Bogalusa hosts a YouthBuild program that focuses on teaching carpentry skills. Students are able to gain two industry-recognized certifications. While participating in the programs, students obtain a GED and have the opportunity to learn important life and leadership skills.

Congress should ensure our youth are well-prepared to enter the workforce. I believe that employers must be part of the discussion when it comes to workforce education. Having input from businesses on their needs creates meaningful workforce development which will lead to higher employment rates.

My question is for Ms. Fulmore-Townsend. You mention that Philadelphia Youth Network's career development framework was designed to translate the expectations of employers into attainable

skills and incorporate it into other organizations' programming. PYN chose not to make this framework industry-specific and instead focused on providing skills that all employers are looking for when hiring young people.

What feedback have you gotten from employers on what those general skills include? Is there a particular model you use to impart those skills to young people? Is this a model that other programs beyond Philadelphia could adopt?

Ms. FULMORE-TOWNSEND. Thank you so much for your questions.

So the first answer is, yes, our career development framework can be applied in other communities and has been. We took our approach and our cues from employers directly who consistently told us we will teach our employees our employer-specific skills. We will teach them how to do it our way. We need them to show up, ready to learn those things. And the things that they wanted them to show up with are self-direction and initiative, the ability to communicate with others, the ability to work in a team, the ability to negotiate and be persuasive.

And so with that feedback, we looked at it and said every industry is willing to teach you how to be the best employee for company X. What they want you to do is show up ready to be that. And we focus on what are the skills to show up ready to do that.

Additionally, with the framework I will add it is divided into developmentally appropriate strategies. So we differentiate between early work experience, intermediate level work experience, and advance training and work experiences for young people so that we can match the activity to the developmental needs and that leads to higher result itself.

Ms. LETLOW. Great. Thank you so much for your comments.

Chairwoman, I yield back.

Chairwoman WILSON. Thank you. Thank you so much.

I believe we have exhausted all of our questioning. And so I want to remind my colleagues that, pursuant to Committee practice, materials for submission for the hearing record must be submitted to the Committee Clerk within 14 days following the last day of the hearing, so by close of business on May 27, 2021, preferably in Microsoft Word format. The materials submitted must address the subject matter of the hearing. Only a Member of the Subcommittee or an invited witness may submit materials for inclusion in the hearing record.

Documents are limited to fifty pages each. Documents longer than fifty pages will be incorporated into the record by way of an internet link that you must provide to the Committee Clerk within the required timeframe, but please recognize that in the future that link may no longer work.

Pursuant to House rules and regulations, items for the record should be submitted to the Clerk electronically by emailing submission to educationandlabor.hearings@mail.house.gov.

Again, I want to thank our fabulous witnesses. I mean, this has been a very informative Committee hearing. I want to thank each of you for your participation today. Members of the Subcommittee may have some additional questions for you, and we ask the witnesses to please respond to those questions in writing. The hearing

record will be held open for 14 days in order to receive these reports.

I remind my colleagues that, pursuant to the Committee practice, witnesses' questions for the hearing record must be submitted to the Majority Committee Staff or Committee Clerk within seven days. The questions submitted must address the subject matter of the hearing.

I now recognize the distinguished Member, Representative Murphy, for a closing statement.

Dr. Murphy, are you still with us?

Mr. MURPHY. I am right here. I am right here.

Chairwoman WILSON. Thank you.

Mr. MURPHY. Thank you so much. Thank you, Madam Chairman.

And I want to thank all the Committee Members and our witnesses again for sharing more about the wonderful and hard work that you are doing and offering recommendations on how we can best serve our Nation's youth through the workforce system. There is clearly an issue that has been problematic and worse and even made worse by COVID with closures of businesses and schools across the country.

Let me take this off because then I can actually speak.

Chairwoman WILSON. Dr. Murphy is a medical doctor. You all must know that.

Mr. MURPHY. Sorry for that delay.

I am encouraged that the conversation today was done in a wholly bipartisan manner that we discuss the reauthorization of WIOA. However, there clearly remains work that needs to be done improving the operation of these programs so that we can keep our youth safe and begin them on pathways for successful careers. I appreciate that we will discuss this with the need for increased employer engagement so that our Federal dollars are going toward programs that actually meet the needs of industry partners.

The business engagement and voice, along with the renewed focus on accountability and performance for taxpayer dollars, will serve our young people well. We cannot simply just pour money after programs that are not accountable, that are not working, and improve. There is always room for improvement and refinement in getting these programs successful.

Thank you again to our witnesses and to the Chair for convening this very wonderful and very productive bipartisan hearing. Thank you, Madam Chairman.

And I will yield back.

Chairwoman WILSON. Thank you, Dr. Murphy.

I now recognize myself for the purposes of making my closing statement.

I want to thank you again to all of our wonderful witnesses for your testimonies and for helping launch a series of bipartisan hearings on reauthorizing the Workforce Innovation and Opportunity Act.

As we discussed today, WIOA is the foundation of our Nation's workforce development programs, particularly for young people. In communities across the Nation, these programs play a critical role in creating opportunities for young people to succeed both in the workforce and throughout their life.

But as we heard from our expert witness today, many of these programs face chronic underfunding and structural obstacles that prevent them from achieving their full potential. Now is the time for us to build on the broad support of the WIOA and strengthen these critical services for the millions of young people who urgently need them, particularly now during this pandemic.

To that end I am grateful to my colleagues for contributing to a productive and fruitful hearing. Today we not only established that WIOA reauthorization must include investments in youth workforce activities, YouthBuild, and Job Corps but we also laid a strong foundation for our forthcoming hearings to discuss principles for this reauthorization.

I look forward to continuing today's discussion with all of my colleagues as we work toward providing all young people with the support, they need to lead fulfilling lives and strengthen our communities.

If there is no further business, without objection, the Subcommittee stands adjourned. And thank you.

[Additional submission by Chairwoman Wilson follows:]



National Association of Home Builders

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Government Affairs

James W. Tobin III
Executive Vice President & Chief Lobbyist

May 13, 2021

The Honorable Frederica Wilson
Chairwoman
Subcommittee on Higher Education
and Workforce Investment
Committee on Education and the Workforce
U.S. House of Representatives
Washington, DC 20515

The Honorable Gregory Murphy
Ranking Member
Subcommittee on Higher Education
and Workforce Investment
Committee on Education and the Workforce
U.S. House of Representatives
Washington, DC 20515

Dear Chairwoman Wilson and Ranking Member Murphy:

On behalf of the more than 140,000 members of the National Association of Home Builders (NAHB), I am pleased to submit this statement in response to the Subcommittee's hearing on *"Workforce Innovation and Opportunity Act Reauthorization: Creating Opportunities for Youth Employment."*

NAHB deeply understands that the construction industry must expand and improve its efforts and methods to recruit, train, and retain individuals in skilled trades positions. As the nation recovers economically from the COVID-19 pandemic, Congress must also promote and encourage efforts to expose students and youth learners to careers in construction at an earlier age and train and place more individuals in well-paying jobs. This can be achieved in part by ensuring youth-focused programs such as Job Corps and YouthBuild are granted ample resources and funding in reauthorization of the Workforce Innovation and Opportunity Act (WIOA).

For more than 50 years, the industry's nonprofit workforce development partner, the Home Builders Institute (HBI), has offered skills development opportunities, career and technical education, and job placement services to thousands of at-risk and underrepresented youth and adults for careers in residential construction. One of their most successful initiatives is a national training program through Job Corps that is implemented locally using proven models that can be customized to meet the workforce needs of communities across the United States. These programs prepare students with the skills and experience they need for successful careers through pre-apprenticeship training, job placement services, mentoring, certification programs, textbooks and curricula. With a greater than 87 percent job placement rate for graduates, HBI Job Corps programs provide services to more than 2,000 at-risk youth annually at 67 sites nationwide.

Despite the challenges of the past year, the Subcommittee should recognize the efforts made by Job Corps staff and national training contractors to keep the program operational and safe and adapt to a virtual environment. Without their efforts, the industry may have had to reduce training opportunities or defer instruction. The teamwork and creativity all partners displayed was able to move the Job Corps program forward through distance learning and creative instruction techniques.

HBI has also partnered with YouthBuild since 2003 to deliver quality career and technical education to students in YouthBuild's 46-state network of urban and rural programs. In the last decade, nearly 800 participants have earned HBI training certificates from YouthBuild.

programs. In September of 2020, HBI announced an expansion of this partnership to provide nearly 200 Department of Labor (DOL) Youth Build grantees with access to education resources and training for construction trade skills. This latest initiative strengthens the pipeline of offerings through this partnership, which will include YouthBuild and HBI-conducted trainings of YouthBuild educators and staff; Pre-Apprenticeship Certificate Training (PACT) curriculum offerings; and skilled trade certifications for program graduates.

Both Job Corps and YouthBuild are integral to training the next generation of skilled residential construction professionals. Given more resources to reach and train young learners, the industry would be able to better meet current and future workforce needs – particularly with Congress and the Administration aiming to pass an infrastructure bill. As the Committee on Education and Labor looks to reauthorize WIOA, NAHB encourages members to consider reforms that would expand on-the-job training reimbursement allowances; increase funding, programmatic flexibility, and support services for Job Corps students and graduates; and increase funding for YouthBuild grantees. These and other critical investments in youth-focused federal workforce training programs will help workers attain the skills they need for the jobs construction employers will need to fill.

NAHB appreciates the Subcommittee's focus on youth employment and stands willing to work with you to ensure these programs continue to deliver high quality skills training to the nation's youth.

Thank you for considering our views.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Tobin III', is written over a horizontal line.

James W. Tobin III

[Additional submissions by Ranking Member Foxx follow:]

JULY 2006, DOL OIG, "NATIONAL PARK SERVICE HAS NOT ASSURED THE SAFETY AND HEALTH OF STUDENTS AND STAFF AT THE OCONALUFTEE JOB CORPS CENTER"

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



JUL - 7 2006

MEMORANDUM FOR: ESTHER JOHNSON

Job Corps Administrator

FROM:

Elliot P. Lewis

ELLIOT P. LEWIS

Assistant Inspector General
for Audit

SUBJECT:

ALERT REPORT: National Park Service Has Not Assured
the Safety and Health of Students and Staff at the Oconaluftee
Job Corps Center
Report Number: 26-06-001-01-370

This memorandum transmits the results of specific safety and health issues found during our performance audit of the Oconaluftee Job Corps Center (OJCC) located in the Great Smoky Mountains National Park and recommends immediate corrective actions. The results included in this interim report are based on our work to date. Fieldwork is continuing and we will provide overall audit results when our work is completed.

We found three conditions that we believe pose safety and health risks to the students and staff at the center: (1) fire detection and alarm systems are not operable in every building; (2) food handling and storage areas in the dining hall have deteriorated due to long-term roof damage; and (3) the National Park Service (NPS) ranger firing range is located too close to the OJCC student and staff population.

We recommend you take immediate action to ensure conditions on center property are corrected and work with the NPS to determine if the firing range needs to be relocated.

Background:

The Department of Labor Office Inspector General was requested to perform a financial audit of NPS operated Job Corps centers. OJCC, located in the Great Smoky Mountains National Park near Cherokee, North Carolina, one of the three centers operated by NPS, was chosen for our first audit. DOL provides funding to NPS to operate Job Corps centers, including funding for facility maintenance, through annual appropriation transfers. Included in the 1989 Interagency Agreement between NPS and DOL, the Park Service agreed to comply with Job Corps rules, regulations and guidelines. Job Corps

Working for America's Workforce

has provided minimum policies and procedures to be used to operate Job Corps centers through a Policies and Requirements Handbook (PRH). The PRH requires center operators to take corrective action in cases involving imminent danger, defects in fire prevention and protection, and unsanitary conditions.

Results:

As a result of our analysis of recent and past reports issued on center conditions, interviews with the center's safety officer and the center director and onsite observations, we determined the following:

– **Fire detection and alarm systems are not and have not been fully operational and/or in place in a number of center buildings as discussed below:**

1. During a May 25, 2006, fire drill, the center safety officer found fire alarms in the gymnasium and education building out of order, the residential living area in need of an alarm system, the alarm for the carpentry building inoperable, and the system in the facility maintenance building registering in trouble code.
2. On May 31, 2006, Link Technologies (Link), a contractor to DOL Job Corps, reported fire detection/alarm systems for the education building, gymnasium, carpentry shop, maintenance shop, and residential living area without functioning fire detection and alarm systems. The contractor identified the condition as a repeat life safety code issue with potentially catastrophic effects.
3. In a June 12, 2006, report by a public health consultant from NPS, the same condition was identified. This report added that the areas are accessible and utilized by nearly all students on a daily basis.
4. In addition, during a June 14, 2006, fire inspection by the center safety officer, the smoke detection system in one dorm room was found to be inoperable. The center safety officer stated that over the last several years he informed the center, regional, and National Park Service headquarters management personnel of these conditions.
5. The fire detection/alarm system problems were identified in Facility Planning Reports in 2002 and 2004.

– **Unsanitary conditions are present in the center dining hall as discussed below:**

1. In the May 31, 2006, report by Link, concerns for student safety because of conditions in the dining hall resulting from leaks in the roof were discussed.
2. Link reported that "the most noteworthy result of the water leaks is the potential of food contamination."
3. Link's report also noted that water had leaked into the deep fryer/steam cooker in the food preparation area of the kitchen.
4. The presence of mold and potentially harmful bacteria growth was included in the report as a concern to the students' and staff health.

5. In a report by a NPS public health consultant, the same conditions as described in Link's report were discussed. The consultant stated that if the conditions become worse the cafeteria might have to be closed due to public health and safety issues.
 6. In the Facility Planning Report of 2002, it was noted that the center had been provided funding in 1994 to replace the roof. The report further stated that only one-third of the roof had been completed and explained that the center indicated that funding was not sufficient to complete the entire roof.
 7. The current center safety officer stated that he believes the continued neglect of the condition of the dining hall could lead to mold getting into the students' food that could result in young people becoming ill.
 8. Through personal observation, we witnessed deteriorated conditions throughout the dining hall, such as exhaust fans partially out of the ceilings, water stains in light fixtures, a crack in the ceiling of the food freezer and rust along the freezer ceiling, and walls flaking in a number of areas in the food preparation area, student dining area, and restroom areas.
- We also noted a potential safety issue due to the location of the Park Rangers' firing range. The auditors were present at the center during a week of law enforcement certifications at the firing range and observed as many as 20 to 30 officers firing a variety of weapons at the range. The concern for student and staff safety stems from the fact the range is no more than three-quarters of a mile from the populated part of the center. It was also noted that the range is readily accessible by foot, and the only barrier observed was a gate across the access road. In addition, the range is designed in such a way that those firing at targets are shooting parallel to the center. Although the range is surrounded by trees, it is possible that a bullet could accidentally be fired toward the center. In an interview with one of the Park Rangers, we were told that personnel throughout the park are notified when the range is in use; however, he noted that they have not been notifying Job Corps center management.

Recommendations:

We recommend the Job Corps Administrator:

1. Direct the National Park Service to correct all fire detection and alarm system deficiencies at the Oconaluftee Job Corps center within 30 days.
2. Instruct the National Park Service to begin repair to the dining hall roof and dining hall interior within 30 days and provide DOL a follow-up safety inspection report within 30 days after completing the project.
3. Work with the National Park Service to investigate the location of the ranger firing range and obtain a written assessment from the Park Service of the risk to students and staff at the Oconaluftee Job Corps center within 30 days in order to determine whether the range should be relocated.

Due to the seriousness of the issues identified, we request that you take immediate action and respond to this report within 5 working days on actions taken. After receiving your response, we will include the response and this report on our website.

If you have any questions regarding the report's information, please contact me at 202-693-5170.

cc: Nancy Kaufman, National Park Service
Youth Services Director

AGENCY RESPONSE

U.S. Department of Labor

Office of Job Corps
Washington, D.C. 20210

JUL 17 2006

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

FROM: ESTHER R. JOHNSON *Esther R. Johnson*
National Director
Office of Job Corps

SUBJECT: ALERT REPORT—National Park Services Has not
Assured the Safety and Health of Students and Staff at the
Oconaluftee Job Corps Center
Report Number 26-06-001-01-370

This response is in reply to your July 7, 2006, memorandum thanking you for investigating our concerns at the Oconaluftee Job Corps Center and providing the National Park Service an ALERT REPORT that substantiates Job Corps' previously documented life safety hazards.

While the safety and health of our students at Oconaluftee is a Job Corps priority, we will continue to address and resolve these issues with the National Park Service. In this regard, I want to assure you that Job Corps has made every effort to implement a thorough and comprehensive system for the detection, reporting, and follow-up of health and safety deficiencies which has been effective for most of the 122 centers throughout the Job Corps system.

The reporting of these deficiencies by my staff, as cited in your memorandum, are but a few examples of the numerous attempts we have made to bring attention and remedy to these matters. At Oconaluftee, however, management has repeatedly failed to take the appropriate action in correcting serious life safety violations in a timely manner, disregarding all detection and back-up systems that we have in place. Nevertheless, we are hopeful that with the release of the ALERT REPORT, Park Service officials will thoroughly address these deficiencies as expeditiously as possible. If not, more serious consequences must result in order to protect the health and safety of students.

In an effort to expedite and correct deficiencies noted below, we have requested that the Park Service National Director provide Job Corps with a status report of the following items no later than August 11, 2006:

1. "Fire Detection and Alarm Systems are not operable in every building."

While a number of these deficiencies are the result of a lack of routine maintenance, which we have repeatedly addressed with Park Service officials during both special and routine, on-site reviews, a number of

these problems now require resources to repair or replace existing equipment. Therefore, we have recently provided the Park Service adequate resources to accomplish this task in all center buildings requiring such action

2. "Food handling and storage areas in the dining hall have deteriorated due to long-term roof damage."

While funding was provided several years ago to correct this problem, which was not nearly as severe as it is today, the work was never completed. Therefore, along with the PY 2006 interagency transfer to the Park Service, we have provided adequate resources to comprehensively correct this problem.

3. "the National Park Service ranger firing range is located too close to the OJCC student and staff population."

We are requesting the Park Service National Director to prepare a written assessment of the risks to students and staff at the Oconaluftee center, including, if available, the precautions and safety measures utilized by other Federal agencies having similar sites adjacent to civilian populations. We are also requesting Park Service officials to immediately meet with appropriate officers managing the firing range to develop effective measures that will provide further warnings and protections to Job Corps students and staff.

Let me assure you that the actions described above will be closely monitored to ensure that all deficiencies are corrected as expeditiously as possible. If you have any questions or concerns regarding this response, please contact me directly at 202 693-3000.

MARCH 2007, DOL OIG, "PERFORMANCE AUDIT OF THE OCONALUFTEE JOB CORPS CENTER FOR THE PERIOD JULY 1, 2004, THROUGH SEPTEMBER 30, 2005"

<https://www.govinfo.gov/content/pkg/CHRG-117hhr44535/pdf/CHRG-117hhr44535-add19.pdf>

NOVEMBER 2006, DOL OIG, "TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF LABOR: ENSURING THE EFFECTIVENESS OF THE JOB CORPS PROGRAM"

Financial Section

2006 Top Management Challenges Facing the Department of Labor

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

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

Improving Procurement Integrity

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

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

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

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

Safeguarding Unemployment Insurance

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

Ensuring Payment Integrity During Emergencies

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

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

Overcharges to the Unemployment Trust Fund

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

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

Improving the Federal Employees' Compensation Act (FECA) Program

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

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

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

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

Needed FECA Legislative Reform

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

Ensuring Continued Eligibility for FECA Benefits

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

Maintaining the Integrity of Foreign Labor Certification Programs

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

Foreign Labor Certification Application Backlogs

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

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

Labor Certification Fraud

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

Improving Financial and Performance Accountability

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

Developing a Managerial Cost Accounting System

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

Ensuring Reliable Performance Data

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

Reliability of Audits Conducted under the Single Audit Act

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

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Developing and Securing Information Technology Systems and Protecting Related Information Assets

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

Strengthening Systems Development and Management of High Risk Systems

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

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

Maintaining Information Technology Security

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

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

Protecting Information Assets and Securing Sensitive Information

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

Top Management Challenges

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

Implementing a Public Key Infrastructure (PKI)

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

Implementing New Smart Card Requirements

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

Ensuring Security of Employee Benefit Plan Assets

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

Safeguarding Pension Assets

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

Investigating Benefit Plan Fraud

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

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Remedying Underpayments from Cash Balance Pension Plans

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

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

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

Addressing Corrupt Multiple Employer Welfare Arrangements (MEWAs)

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

Ensuring the Safety and Health of Miners

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

Planning to Replace Retiring Mine Inspectors

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

Ensuring the Effectiveness of the Job Corps Program

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

Top Management Challenges

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

Ensuring Student Safety and Health

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

Ensuring Student Success

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

Monitoring and Verifying Performance

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

Ensuring Proper Procurement, Updated Agreements, and Program Effectiveness

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

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Preparing for Emergencies

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

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

Changes from Last Year

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

Management Controls

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

Improving Management of Real Property Assets

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

Pursuing Reauthorization of the Workforce Investment Act

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

NOVEMBER 2007, DOL OIG, "TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF LABOR: ENSURING THE EFFECTIVENESS OF THE JOB CORPS PROGRAM"

Top Management Challenges

2007 Top Management Challenges Facing the Department of Labor

For 2007, the Office of Inspector General (OIG) considers the following areas to be the most serious management and performance challenges facing the Department of Labor. They involve workplace protections, compliance, accountability, and delivery of services and benefits. The OIG has assessed the Department's progress in these areas and will continue to review and monitor the Department's effort to address these complex challenges.

- Protecting the Safety and Health of Workers
- Ensuring the Effectiveness of the Job Corps Program
- Ensuring the Security of Employee Benefit Plan Assets
- Safeguarding Unemployment Insurance
- Improving the Federal Employees' Compensation Act Program
- Improving Procurement Integrity
- Securing Information Technology Systems and Protecting Related Information Assets
- Maintaining the Integrity of Foreign Labor Certification Programs
- Improving Performance Accountability of Grants
- Preserving Departmental Records

CHALLENGE: Protecting the Safety and Health of Workers

Overview: The Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act), charges the Mine Safety and Health Administration (MSHA) with protecting the safety and health of over 300,000 men and women who work in our nation's mines.

The Occupational Safety and Health Administration (OSHA), authorized by the Occupational Safety and Health Act of 1970, promulgates and enforces occupational safety and health standards and provides compliance assistance to employers and employees. State OSHA Programs provide comparable protections and services to over 7.7 million state and local government employees. Recent OIG audits have identified opportunities for strengthening MSHA and OSHA's enforcement and assistance activities.

Challenge for the Department: The magnitude of the Department's mission to protect the health and safety of workers and the finite resources available presents a significant challenge requiring an appropriate balance between enforcement and compliance assistance and vigilance in ensuring that such programs are effectively administered. MSHA created an Accountability Program to ensure that its health and safety enforcement program is working effectively. This Accountability Program is MSHA's internal peer review process that is supposed to ensure that mine safety inspectors are doing their jobs effectively. However, a recent OIG audit found that this program is not well-designed and should be strengthened, because some peer reviews only looked at paper records of mine inspections and peer review teams did not always visit the mines to review what inspectors had examined. Recent tragic events involving several mines underscore the importance of thorough mine safety inspections and of having an effective peer review process to provide assurance that mine inspections are properly conducted.

OSHA's Consultation Program was designed to encourage employers to volunteer for an inspection and then resolve workplace safety and health issues without the use of enforcement fines and penalties. However, a recent OIG audit found that consultation program officials seldom ensured that interim protection was in place before granting employers' requests for extensions to correct serious hazards, and employers who did not complete corrective actions in a timely fashion were seldom referred for enforcement actions. We have recommended that OSHA establish a performance measure that benchmarks and reports the percentage of serious hazards corrected by the initial correction due date.

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Department's Progress: MSHA has proposed several steps to address shortcomings in its Accountability Program. Most significantly, MSHA has announced plans to create a new Office of Accountability within the Office of the Assistant Secretary to ensure that management controls are in place and fully implemented to prevent potential lapses in enforcement policies and procedures.

In response to problems in its Consultation Program identified by our audit, OSHA will ensure that its new OSHA Information System will not allow consultants to grant extensions without the assurance that proper interim protections are in place. In addition, OSHA has taken some actions and will implement additional measures to ensure that consultation program officials refer employers for enforcement action. These measures include clarifying existing requirements, training for both Federal and state consultation staff, and increased monitoring by Regional Offices. While OSHA disagreed with our recommendation on performance measures, the OSHA Information System is being designed to allow OSHA to create specific benchmarks for states that may have problems monitoring the correction of serious hazards.

CHALLENGE: Ensuring the Effectiveness of the Job Corps Program

Overview: Job Corps operates 126 centers throughout the United States and Puerto Rico to provide occupational skills, academic training, job placement services, and other support services, such as housing and transportation, to approximately 60,000 students each year. Its purpose is to assist eligible at-risk youth who need intensive education and training services. The program was appropriated nearly \$1.5 billion in FY 2007. It utilized contracts with private companies to operate 98 centers and interagency agreements with the Departments of Interior and Agriculture to operate 28 centers.

Challenge for the Department: The challenges facing the Department regarding its Job Corps program include: 1) management of its centers; 2) performance monitoring and verification; 3) student safety and health; and 4) assessment of incoming students for cognitive disabilities. For example, a recent OIG report found numerous health and safety problems, such as inoperable fire alarms, and an unhealthful food handling area at the Oconaluftee Job Corps Center, which is operated by another Federal agency. Job Corps needs to utilize the results of facilities surveys conducted by its contractor to make sure necessary repairs are funded and completed as scheduled. In addition, we have found that the Department needs to hold regional offices accountable for utilizing effective monitoring techniques in their oversight of services provided by Job Corps contractors and government operators. Further, an OIG audit of Job Corps' processes for assessing students for cognitive disabilities found that Federal law requires assessment for cognitive disabilities under specific circumstances, but that Job Corps had not done so. Job Corps must identify and address cognitive disabilities of current and future students in order to improve their outcomes and long-term success.

Another concern relates to the fact that Job Corps runs contractor-operated centers through performance-based contracts, which tie incentive fees and bonuses directly to contractor performance. Under such contracts, there is a risk that contractors will inflate their performance reports so they can continue to operate centers. Recent audits determined that specific centers have manipulated their reported performance data. Our audits have disclosed other challenges as well, including inadequate financial management systems, unauthorized costs charged to center budgets, and deficiencies in the management of personal property.

Department's Progress: Job Corps has addressed some student safety and health issues raised by the OIG by temporarily closing the Oconaluftee Center. In addition, Job Corps has indicated that it will provide more rigorous monitoring of all centers. Job Corps has also taken action to improve performance data reliability at all centers, including requiring each regional office to conduct mandatory audits of student records concurrent with annual center quality assessments. Further Job Corps has developed additional criteria and a dedicated website for identifying and addressing students with cognitive disabilities. Much remains to be done to address the many challenges faced by this program to provide safe, quality, and long-impact services to disadvantaged youth.

CHALLENGE: Ensuring Security of Employee Benefit Plan Assets

Overview: Retirement, health and welfare benefit plans consist of approximately \$5.6 trillion in assets covering more than 150 million workers and retirees. These plans and their service providers continue to be a strong audit and investigative focus of both the OIG and the Employee Benefits Security Administration (EBSA). EBSA is charged with overseeing the administration and enforcement of the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA).

Challenge for the Department: Protecting retirement and health benefit plan assets against fraud is a challenge for the Department. OIG labor racketeering investigations and the increased criminal enforcement by EBSA continue to find that plan assets are vulnerable to criminal activity.

Plan audits by independent public accountants provide a first-line defense for plan participants against financial loss. Ensuring that audits by independent public accountants meet quality standards adds to the Department's challenges in providing adequate oversight. However, the Department's authority to require corrective action is currently limited. The Department should increase its efforts toward legislative change to strengthen its oversight authority over plan auditors and the scope of plan audits to increase plan protections for American workers.

Another challenge is the Department's increased responsibility for regulatory oversight of ERISA health care provisions. In the health care arena, the Department needs to continue its efforts to decrease the number of fraudulent Multiple Employer Welfare Arrangements, which are typically marketed to small businesses as a way to obtain inexpensive health coverage for their employees. In this regard, the Department should continue, through its national enforcement projects, to work closely with State insurance commissioners and the Department of Justice to identify and prosecute fraudulent MEWAs.

Department's Progress: The Department has made several improvements to its processes for identifying and correcting deficient employee benefit plan audits. Also, the Department has sought legislative changes to obtain more authority over plan auditors and the scope of plan audits.

The Department continues to utilize a multi-pronged strategy to help ensure compliance with ERISA Title I. This includes imposing criminal penalties to correct violations of the law, ensuring the security of employee benefit plan assets, and regulatory oversight of health care laws.

CHALLENGE: Safeguarding Unemployment Insurance

Overview: The Department partners with the states in administering unemployment benefit programs. State Unemployment Insurance (UI) provides benefits to workers who are unemployed because of a lack of suitable work and meet other eligibility requirements established by their respective states. UI benefits are financed through employer taxes imposed by the states and collected by the Internal Revenue Service, which holds them in the Unemployment Trust Fund (UTF) until needed to pay benefits.

The second program, Disaster Unemployment Assistance (DUA), is a Federally funded program that provides financial assistance to individuals who lose their jobs as a direct result of a major disaster and are ineligible for other UI. The 2005 hurricanes demonstrated the importance of effective controls to ensure that unemployment benefits reached only eligible persons.

Through the Benefits Accuracy Measurement (BAM) program, the Department has identified duplicative payments to individuals who are working while concurrently claiming UI benefits as the single largest cause of overpayment errors. Also, audit work initiated following Hurricanes Katrina and Rita identified potential benefit overpayments as a result of claimants concurrently filing under the UI and DUA programs, states not timely verifying eligibility for DUA, and other reasons. For example, we found that Louisiana paid claimants when the National Directory of New Hires (NDNH) database reported those individuals as having obtained jobs

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requiring further follow-up by the state. This one example represented potential overpayments of \$51 million. In addition, following the 2005 hurricanes, the OIG opened over 300 cases of potential UI and DUA fraud resulting in 77 indictments and 43 convictions. As of August 10, 2007, 189 of these cases have been closed.

Challenge for the Department: Preventing UI and DUA overpayments and reducing fraud against these programs remains a major challenge for the Department and states. The Department, other Federal agencies, and the states are further challenged in having the necessary systems and controls in place to quickly respond and yet prevent improper payments during national emergencies or disasters. Ongoing audit and investigative work indicate that improper payments related to past disasters may be extensive. The prevention and early detection of overpayments is critical because the follow-up required to verify and collect an overpayment once it has been made is significant. Therefore, the Department needs to continue its efforts to disseminate information to the states about best practices and promote the use of mechanisms, such as the NDNH, to help states identify ineligible claimants more timely.

Department's Progress: The Department has taken some measures to eliminate UI and DUA overpayments. For example, in coordination with other Federal partners and the National Association of State Workforce Agencies, the Department developed action plans using lessons learned from recent disasters. The Department has also brought together Federal partners to develop a resource guide to facilitate coordination and streamline the delivery of services in the event of a major disaster.

In addition, the Department stated in its FY 2006 Performance and Accountability Report that it has developed a new core performance measure on overpayment detection and has begun to improve states' ability to identify individuals who are working while also claiming UI benefits. Further, the Department is working with state agencies to encourage the use of the NDNH database, which will improve the states' efforts to detect overpayments early. The Department and its state partners need to continue to incorporate the results of BAM and the NDNH to better prevent and detect overpayments. The OIG will continue to monitor the Department's use of this new performance measure to detect UI overpayments.

CHALLENGE: Improving the Federal Employees' Compensation Act Program

Overview: The Federal Employees' Compensation Act (FECA) Program provides income and pays medical expenses for covered Federal civilian employees injured on the job or who have work-related occupational diseases, and dependents of employees whose deaths resulted from job-related injuries or occupational diseases. This program is administered by the Department and impacts employees and budgets of all Federal agencies. FECA benefit expenditures totaled \$2.5 billion in 2006. These costs were charged back to individual agencies for reimbursement to the Department's Office of Workers' Compensation Programs (OWCP).

Challenge for the Department: The structure and operation of the FECA program is both a Departmental and government-wide challenge. All Federal agencies rely upon OWCP to adjudicate the eligibility of claims, to manage the medical treatment of those claims, and to make compensation payments and pay medical expenses. Beginning in FY 2003, we reported that OWCP had not consistently obtained and reviewed medical evidence when determining claimants' continued eligibility for FECA compensation payments. Further, beginning in FY 2000, we reported that OWCP did not have the legal authority to match FECA compensation recipients against social security wage records. This is still the case. This match would help enable OWCP to identify individuals who are collecting FECA benefits while working and collecting wages. It is a challenge for the Department to ensure that only eligible recipients are receiving FECA benefits.

Department's Progress: The Department has taken several steps to improve the administration of FECA and is seeking legislative reforms to the FECA program. These legislative changes would: enhance incentives for employees to return to work; discourage unsubstantiated claims; and make other benefit and administrative improvements. If these proposals are enacted, the Department estimates that the government will save \$608 million over 10 years.

Last year, the Department completed the roll-out of its new FECA benefit payment system, Integrated Federal Employees' Compensation System, which tracks due dates of medical evaluations; revalidates eligibility for continued benefits; contains increased internal mechanisms to prevent improper payments; boosts efficiency; and promises improved customer satisfaction.

CHALLENGE: Improving Procurement Integrity

Overview: The Department contracts for many goods and services to assist in carrying out its mission. In FY 2006, the Department's acquisition authority exceeded \$1.7 billion and included over 8,800 acquisition actions. The OIG continues to be concerned about the Department's procurement activities. Specifically, for several years, we have recommended that the Department separate program and procurement responsibilities to ensure procurement integrity. Several OIG audits have reported that failure to adequately segregate program and procurement duties places procurement actions at risk due to conflict of interest or preferential treatment, among other things.

In addition, the Services Acquisition Reform Act (SARA) of 2003 requires that executive agencies appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. However, the Department's current organization is not in compliance with this requirement, as the Assistant Secretary for Administration and Management is serving as the CAO while retaining other significant non-acquisition responsibilities.

Challenge for the Department: Until procurement and programmatic responsibilities are properly separated and effective controls are put in place, the Department will be at risk for wasteful and abusive procurement practices. The Department must improve its procurement and contract management processes to ensure that it is receiving quality services at fair prices in compliance with contract terms. An important first step to improving procurement integrity is the appointment of a CAO, whose primary duty is acquisition management, as required by SARA.

Department's Progress: The OIG has classified six of the eight recommendations from Audit Report Number 05-05-005-07-720 (March 31, 2005) as "resolved and closed," due to improved Departmental procurement processes and operating procedures. The Department has taken preliminary steps to implement SARA. In January 2007, the Secretary issued Order 2-2007, which formally established the position of CAO within DOL. This Order specifically stated that the CAO will have acquisition management as his or her primary duty. Further, the Order emphasized that the CAO will report to the Secretary with day-to-day guidance from the Deputy Secretary and that the CAO will have responsibility for overseeing other Department acquisition activities. The OIG encourages the Department to move expeditiously to implement the Secretary's Order, comply with SARA requirements, and separate the procurement and program functions as the OIG has recommended.

CHALLENGE: Securing Information Technology Systems and Protecting Related Information Assets

Overview: The security of the Department's information technology (IT) systems and data is vital. Those systems produce key economic indicators and pay billions of dollars in benefits and services. In FY 2007, the OIG identified a significant deficiency related to access controls across DOL financial and non-financial information systems. As of March 2007, the OIG found that the Department had not fully implemented OMB's government-wide requirements to protect personally identifiable information (PII). The term "personally identifiable information" refers to information that can be used to distinguish or trace an individual's identity, such as name and social security number.

Challenge for the Department: Our audits have identified a number of IT challenges for the Department, including preventing unauthorized access to systems, certification and accreditation of systems, and incident response capability. It is also a challenge for the Department to fully implement OMB's requirements for protecting PII and close outstanding security issues within management's planned actions and target dates.

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Keeping up with new threats and IT developments, providing assurances that IT systems will function reliably, and safeguarding information assets will continue to challenge the Department and require a sustained effort. As the need to raise the level of accountability for IT security in Government continues, it is important for agencies to have the proper structure in place to achieve accountability, effectiveness, compliance with security controls, and remediation of vulnerabilities to prevent security breaches. To this end, as in last year's Top Management Challenges, the OIG recommends the creation of an independent Chief Information Officer (CIO) to provide oversight of IT issues. In addition, we also believe that the Department should now consider having agency-level security officers report to the Department's Chief Information Security Officer (CISO), in addition to reporting to their respective agency heads as they do now. Similarly, the CISO could report to the Secretary's Office as well as to the CIO. The OIG believes such steps would enhance effectiveness within the Department-wide information security program.

Department's Progress: To meet the challenges associated with securing IT systems from harm, the Department is continuing to identify, assess, and remediate IT security vulnerabilities and is providing IT security training to program agency ISOs. In addition, the Department has indicated its plans to fully implement OMB's PII recommendations by the first quarter of 2009. The Department has also required all employees to complete Computer Security Awareness Training.

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

Overview: The Department's Foreign Labor Certification (FLC) programs provide U.S. employers access to foreign labor to meet worker shortages under terms and conditions that do not adversely affect US workers. The Permanent Foreign Labor Certification Program allows an employer to hire a foreign worker to work permanently in the United States, if a qualified US worker is unavailable. The H-1B program allows the Department to certify employers' applications to hire temporary foreign workers in specialty occupations.

OIG audits have identified vulnerabilities in FLC programs, and our investigations, some of which have been initiated based on referrals from DOL's Employment and Training Administration (ETA), have identified fraud against these programs. The foreign labor certification process continues to be compromised by dishonest attorneys, labor brokers, and employers. For instance, a recent OIG case led to the conviction of a former owner of an information technology company. He was convicted for his role in fraudulently assisting hundreds of immigrant aliens to live and work illegally in the United States. This former business owner was sentenced to prison and ordered to forfeit \$5.7 million.

Challenge for the Department: The Department is challenged in maintaining the integrity of the FLC programs, while effectively reviewing employer requests for foreign workers. For instance, the Department must increase its detection of fraudulent labor applications during the certification process. FLC programs are one of the few legal avenues available for foreign workers who want to enter the U.S. on a temporary or permanent basis. This fact, combined with the large amounts of money that can be made by unscrupulous entities, continues to create strong incentives to commit fraud or abuse.

Because the Department must certify that H-1B applications are accurate and complete within seven days, DOL has limited capacity to validate the information on the application, which presents a challenge to the program's integrity. Considering the large number of both Permanent and H-1B applications, it remains a challenge for the Department to avoid backlogs while maintaining the integrity of the FLC process.

Department's Progress: The Department has instituted measures to reduce fraud in its FLC programs. As a result of OIG investigations repeatedly demonstrating the need to eliminate the practice of substituting a new foreign worker for the one originally named on a permanent labor certification application, the Department enacted the Fraud Rule which prohibited the practice of substitution. The Fraud Rule became effective on July 16, 2007. In addition, the OIG and ETA have been working collaboratively to identify and reduce fraud in the FLC process by immigration attorneys, employers, and others. Finally, the Department recently announced that it had eliminated the backlog of permanent program applications on-time.

CHALLENGE: Improving Performance Accountability of Grants

Overview: The competitiveness of the American workforce is a top priority for the Department. To that end, the Department's FY 2008 Budget proposed \$3.4 billion to fund its training and employment grant programs. In addition, the Department proposed significant reforms to how the funding will be managed at the State-level. Grant funds are mainly provided as Federal awards to state and local government entities and to other non-profit organizations.

To ensure that grant monies are being used for their intended purpose, in addition to ETA's monitoring and oversight, the Single Audit Act (SAA) requires each recipient that expends \$500,000 or more in Federal awards in a year to obtain an annual audit. The single audit covers both the reporting entity's financial statements and Federal awards. As more than 90% of its expenditures are by state and local governments and other non-DOL organizations, the Department relies on audits conducted under the SAA to provide oversight of its grants.

Challenge for the Department: Given the amount of money annually provided by the Department to grantees, it is critical that the Department has an effective means to ensure that funds were used as intended.

OIG audit work disclosed high error rates in the performance data reported by Departmental grantees and raised concerns about the usefulness of that data for decision making. In addition, the OIG continues to be concerned about the adequacy of information that the Department receives from SAA audits, which are conducted by independent public accountants or state auditors. Our quality control reviews of single audits and a June 2007 report on the National Single Audit Sampling Project have revealed serious deficiencies. As a result, the Department is not receiving reliable information that it needs to make program and funding decisions. Further, a recent OIG audit disclosed that the Department lacks monitoring procedures to ensure that single audits of its grantees are completed and that reports are received in a timely manner for each grantee that meets the single audit threshold.

Department's Progress: The Department is completing its second full year of operating its new data validation system which was designed to reduce errors in performance data reported by grantees. In support of the Department and other Federal entities that issue grants, the National Single Audit Sampling Project has made significant recommendations to OMB to improve the reliability of single audits. Also, the Department has agreed that single audit procedures should be strengthened and will coordinate with appropriate agencies to develop and implement changes as recommended. These efforts are important steps in the Department's effort to improve performance accountability of grants.

CHALLENGE: Preserving Department Records Management

Overview: The Department and other Federal agencies must create and maintain Federal records to account for their official business. As part of this responsibility, the Department is required to ensure that its Federal records are preserved and retrievable to document its policies and activities, and comply with Freedom of Information Act requests, and other statutory and regulatory reasons. The Department implements its records management program through the policy and guidelines established in the DOL Manual Series and Records Management Handbook.

Challenge for the Department: The burgeoning use of electronic media to administer its programs makes it essential for the Department to have systems and processes in place to manage records effectively. Like other Federal agencies, the Department faces a major challenge in determining what information constitutes

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records that must be preserved as well as efficiently determining how to store, back-up, or dispose of records and other information.

For example, current Departmental policy requires employees to treat e-mail like any paper record. If an e-mail is an official record, then employees are expected to print and file the email in a manual recordkeeping system. Recently, the OIG reported that department employees may not be aware of their responsibilities to preserve Federal records and recommended that the Department require records management training for managers and employees. To this end, the Department needs to keep their employees trained and apprised of records management responsibilities.

Department's Progress: Records management is an emerging challenge for the Department and agencies government-wide. The OIG is conducting an audit which will assess the Department's progress in this area.

Changes from Last Year

The OIG recognizes that matters meriting the continued attention of Departmental management may be omitted from the list of its top challenges. This year we removed the challenge of *Preparing for Emergencies* from the list, because of the Department's progress in making employee safety and emergency preparedness a priority. The OIG will continue to monitor the Department's actions in this area.

This year, we added a new challenge, *Preserving Department Records Management*, because of the Department's legal requirements to maintain and safeguard its records.

NOVEMBER 2008, DOL OIG, "TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF LABOR: ENSURING THE EFFECTIVENESS OF THE JOB CORPS PROGRAM"

**2008 Top Management Challenges Facing
the Department of Labor**

The Department's FY 2008 Top Management Challenges identified by the Office of Inspector General (OIG) are below. For 2008, the OIG considers workplace protection, accountability, integrity of benefit programs, and the delivery of goods and services as the most serious management and performance challenges facing the Department. The OIG assessed the Department's progress in these areas and continues to review and monitor how these complex issues are addressed.

For each challenge, the OIG presents an overview of the challenge, a description of the challenge, and the OIG's assessment of the Department's progress in addressing the challenge.

- Protecting the Safety and Health of Workers
- Improving Performance Accountability of Grants
- Ensuring the Effectiveness of the Job Corps Program
- Safeguarding Unemployment Insurance
- Improving the Federal Employees' Compensation Act Program
- Improving Procurement Integrity
- Maintaining the Integrity of Foreign Labor Certification Programs
- Securing Information Technology Systems and Protecting Related Information Assets
- Ensuring the Security of Employee Benefit Plan Assets
- Preserving Departmental Records

CHALLENGE: Protecting the Safety and Health of Workers

Overview: The Department of Labor administers the Federal Mine Safety and Health Act of 1977 (Mine Act) as amended by the Mine Improvement Emergency Response Act of 2006 and the Occupational Safety and Health Act of 1970. The workplace safety and health of our nation's workers depends on DOL's strong enforcement of these laws.

Challenge for the Department: The OIG has consistently revealed a pattern of weak oversight, inadequate policies, and a lack of accountability on the part of MSHA made more of a challenge by years of resource shortages. Congress has allocated additional funding. However, it will take several years for the Department to be fully functional with these increased resources. Insufficient resources during a period of increasing mining activity made it difficult for the Department to ensure that it had enough resources in the right places to ensure the safety of miners. These resource issues further reemphasize the need for MSHA to have adequate procedures in place for carrying out its mission. Further, MSHA management must monitor performance to ensure that its employees are following those procedures and documenting their activities.

The OIG's recent audits have documented the need for MSHA to improve its operating procedures and management oversight. For example, an OIG report on MSHA inspections found that MSHA did not complete 147 required safety inspections at 107 underground coal mines where approximately 7,500 miners worked during FY 2006. In an OIG audit of

MSHA's process for approving the roof control plan at Utah's Crandall Canyon Mine, the OIG found that MSHA was negligent in its review, approval, and oversight of the roof control plan.

Likewise, the Independent Review Team established to evaluate MSHA's actions prior to the August 2007 accident at the Crandall Canyon Mine and during the subsequent rescue activities, identified many serious deficiencies in MSHA's actions, including inadequate evaluation of the engineering data to justify mining in the North and South Barriers and inadequate oversight of the plan evaluation and approval process by MSHA management. The review concluded that MSHA's failure to adequately evaluate the roof control plans contributed to the August accident.

Our audit of how MSHA determines whether a fatality is mining-related found that investigators and decision makers lacked independence and investigative documentation was not always complete. We also found that decisions about the cause of a fatality were sometimes made on a manager's preliminary assessment and a full investigation was not done.

OSHA's mission is to prevent work-related injuries, illnesses and deaths and to ensure that every working man and woman in the nation has safe and healthful work conditions; however, work-related fatalities reported in the BLS Census of Fatal Occupational Injuries were 5,764 in 2004, 5,734 in 2005, 5,840 in 2006, and 5,488 in 2007.¹ Because it is impossible for OSHA to inspect the more than seven million workplaces in the nation, it is essential that OSHA target its limited resources to inspect workplaces with the highest risk of hazardous conditions or which have a history of causing significant injuries or fatalities. Recent fatal workplace accidents involving cranes, combustible dust, and refineries highlight this challenge. In addition, OSHA must ensure that voluntary compliance programs are effective.

OSHA's Consultation Program was designed to encourage employers to volunteer for an inspection and then resolve work place safety and health issues without the use of enforcement fines and penalties. However, an OIG audit found that consultation program officials seldom ensured that interim protection was in place before granting employers' requests for extensions to correct serious hazards, and employers who did not complete corrective actions in a timely fashion were seldom referred for enforcement actions. The OIG recommended that OSHA establish a performance measure that benchmarks and reports the percentage of serious hazards corrected by the initial correction due date.

In response to concerns about the effectiveness of OSHA's enforcement program, the OIG is conducting an audit to determine whether OSHA has accurately identified high-risk employers based on OSHA's definition of these employers under its Enhanced Enforcement Program.

Department's Progress: MSHA and OSHA have made progress in addressing this challenge. For example, with supplemental funding provided by Congress, MSHA has hired more mine inspectors to improve completion of statutorily required inspections. However, MSHA needs to ensure that its recently hired inspectors are properly trained. While new inspectors are trained, MSHA has re-allocated current resources by rotating inspectors into understaffed

¹ These numbers include fatalities not under OSHA jurisdiction, such as deaths among miners, transportation workers, domestic workers, some public employees, and the self-employed, as well as fatalities that fall outside of OSHA's definition of work-relatedness.

districts for two week intervals to assist in completing all mandated inspections. MSHA has also increased and clarified the documentation required to support mine inspection activities and defined specific steps for reviewing mine plans.

Further, MSHA has issued guidance to standardize its roof control plan approval process and has developed checklists to detail required information and documentation when inspectors review roof control plans. To address concerns about independence of decisions about mining fatalities, the Fatality Review Committee now includes a representative outside of MSHA. However, this individual is still a DOL employee.

MSHA also needs to remain vigilant to ensure that approvals of roof control plans are done in accordance with its new procedures. The OIG continues to believe that an individual who is not employed by the Department will provide a greater degree of independence and integrity to the work of the Fatality Review Committee.

In response to an OIG report on OSHA's Consultation Program, OSHA has implemented measures to ensure that employers are referred for enforcement action when serious safety hazards are not corrected in a timely manner. OSHA has also established a new performance measure tied to the initial hazard correction due date to ensure that serious hazards are corrected in a timely manner without the need for granting time extensions to correct the hazard.

CHALLENGE: Improving Performance Accountability of Grants

Overview: In FY 2007, the Department's Employment and Training Administration (ETA), issued \$5.5 billion in formula grants and almost \$1 billion in discretionary grants for job training and employment services. Since 2001, ETA has spent nearly \$900 million in discretionary grant funds on the High Growth Job Training Initiative (High Growth), Community-Based Job Training Initiative (Community Based), and the Workforce Innovation in Regional Economic Development (WIRED). These initiatives were designed to give greater emphasis to the employment and training needs of high-growth, high-demand industries.

All state and local government and nonprofit recipients that expend \$500,000 or more in Federal assistance in one year are required by the Single Audit Act to obtain an annual audit by an independent public accountant. The Act mandates the examination of a recipient's financial records, financial statements, federal award transactions and expenditures, the general management of its operations, the systems of internal control, and the federal assistance itself received during the audit period. ETA grants are awarded to state and local governments and other non-DOL organizations. The Department relies on audits conducted under the Single Audit Act to provide oversight of its grants – both formula and discretionary.

Challenge for the Department: DOL continues to face challenges in ensuring that discretionary grants are properly awarded and that the Department receives the quality of services that the taxpayers deserve. Successfully meeting the employment and training needs of citizens requires selecting the best service providers, making expectations clear to grantees, ensuring that success can be measured, providing active oversight, evaluating outcomes, and disseminating and replicating proven strategies and programs. Both OIG and GAO have found in the past year that ETA continues to have weaknesses in managing

its grants to this end. In audits involving the High Growth, Community Based, and WIRED initiatives, these weaknesses have included the lack of competition in awarding grants, grants that failed to achieve major performance goals, grant agreements with goals that were so unclear it was impossible to determine success or failure, and grants whose required matching funds were not provided. Moreover, ETA continues to be challenged to provide adequate oversight and monitoring of the grants it awards, as the agency lacks reliable and timely performance data that would allow identification of problems in time to correct them. Finally, ETA has not evaluated the usefulness of individual grant products or the overall effectiveness of its discretionary grant initiatives.

Another challenge for the Department related to both formula and discretionary grants is that grantees' audits conducted under the Single Audit Act by independent public accountants are not always completed timely and information from single audits is not always reliable. The OIG has found serious deficiencies in these audits that demonstrate that the Department is not receiving timely, accurate, reliable information that will assist it making the best possible program and funding decisions.

Department's Progress: As a result of the audits by the OIG and GAO, ETA has recently increased the emphasis placed on awarding discretionary grants competitively, developed procedures designed to better document decisions and discussions that lead to grant actions, implemented new procedures to ensure the proper justification of any future non-competitive awards, and provided training to agency grant officers on these new procedures. ETA has also stated that future agreements for pilots and demonstration grants will require grantees to obtain an independent evaluation of grant results. While these actions should help to improve performance accountability, ETA needs to focus its future efforts on determining how best to prioritize its available resources to adequately monitor grant performance and how to evaluate grants to ensure desired results are achieved.

The Department has implemented procedures requiring written notifications be sent to grantees when single audit reports are submitted more than three months past the due date. The notifications serve to remind the grantees of the timeframes established in OMB Circular A-133, to ensure awareness that the reports were submitted untimely, and to prevent future untimely submissions.

CHALLENGE: Ensuring the Effectiveness of the Job Corps Program

Overview: The purpose of the Job Corps program is to assist eligible at-risk youth who need intensive education and training services in a safe, residential environment. Job Corps has contracts with private companies to operate 98 centers and interagency agreements with the Departments of Interior and Agriculture to operate 28 centers. The program was appropriated nearly \$1.6 billion in FY 2008.

Challenge for the Department: The OIG's work has consistently identified challenges to the effectiveness of the Department's Job Corps program. These challenges include ensuring the safety and health of students and having accurate, reliable data about the program's performance. A cornerstone of the Job Corps program is removing students from unsafe environments and placing them in a safe residential training program. Ensuring maintenance of its facilities is a challenge for Job Corps. Unsafe conditions resulting from inadequate maintenance adversely impacts the overall success of the Job Corps program.

OIG audits have documented numerous health and safety problems at certain centers, such as water-damaged and collapsing ceiling tiles; mold on student dormitory walls and ceilings; and missing or inoperable emergency exit signs. Further, Job Corps officials need to do more to address the problems of illegal drugs and violence at its facilities.

OIG audits have also found that contractors have manipulated performance data to inflate their success. The OIG has repeatedly found problems with the reporting of student outcomes, on-board strength and attendance. This is a particular challenge for Job Corps when centers are operated by contractors through performance-based contracts which tie incentive fees and bonuses directly to contractor performance largely measured by on-board strength, attendance, and outcomes. Under such contracts, there is a risk that contractors will inflate their performance reports so they can continue to operate centers. It is essential for Job Corps to have reliable, accurate, and timely data, so that the Department can evaluate how well student needs are being met.

Department's Progress: Job Corps has addressed a number of student safety and health issues and indicated that it will provide more rigorous monitoring of all centers. Also, Job Corps has taken action to improve financial and performance data reliability at all centers. Although, each center will conduct mandatory audits of student records concurrent with annual center quality assessments, more needs to be done to resolve problems with inaccurate performance data.

Although Job Corps is continuing its efforts to maintain a safe and healthy environment for its students, it must be held accountable to monitor and verify that all centers are being managed and maintained to ensure safe and healthy environments.

CHALLENGE: Safeguarding Unemployment Insurance

Overview: The Department partners with the states to administer unemployment benefit programs. State Unemployment Insurance (UI) provides benefits to workers who are unemployed and meet eligibility requirements established by their respective states. UI benefits are financed through employer taxes imposed by the states and collected by the Internal Revenue Service, which holds them in the Unemployment Trust Fund (UTF) until needed to pay benefits.

The Department funds State Workforce Agencies (SWAs) which administer the UI program through grant agreements. These grant agreements are intended to ensure that SWAs administer the UI program efficiently and that they comply with Federal laws and regulations. In addition, the SWAs are required to have disaster contingency plans in place to enable them to administer benefits in the aftermath of a disaster such as a hurricane.

Disaster Unemployment Assistance (DUA), is a Federally funded program that provides financial assistance to individuals who lose their jobs as a direct result of a major disaster and are ineligible for other UI.

Challenge for the Department: Reducing and preventing UI and DUA overpayments, combating fraud against these programs, and timely detecting and recovering overpayments that do occur remains a major challenge for the Department and states. In FY 2007, the Department reported more than \$3 billion in UI overpayments—a slight drop

from \$3.1 billion in FY 2006. However, the Department did not meet its target goal of identifying and establishing for recovery 60 percent of UI overpayments in FY 2007.

OIG work following Hurricanes Katrina and Rita identified potential benefit overpayments as a result of claimants concurrently filing under the UI and DUA programs; states not timely verifying eligibility for DUA; and other reasons. For example, the OIG found that Louisiana paid unemployment benefits to claimants when the National Directory of New Hires (NDNH) database reported those individuals as having obtained jobs. This one example represented potential overpayments of \$51 million. Following the 2005 hurricanes, the OIG opened over 300 cases of potential UI and DUA fraud resulting in 142 indictments and 86 convictions. To date, 240 of these cases have been closed.

It is a challenge for the Department, other Federal agencies, and the states to have systems and controls in place to quickly prevent or respond to improper payments during national emergencies or disasters. The Department needs to promote states' use of the National Directory of New Hires (NDNH) database to prevent and timely detect overpayments. The Department also needs to ensure that SWAs have adequate Information Technology (IT) Contingency Plans that will enable them to continue to pay UI benefits in the event of a disaster such as a hurricane. It is critical that all SWAs have IT contingency plans for UI to ensure individuals who rely on these benefits receive this vital support in a time of need and uncertainty.

Preventing fraud against the UI program is also a challenge. The OIG investigates fraud committed by individuals who do not report or underreport outside income while receiving UI benefits. In addition to single claimants and fictitious employer-related schemes, OIG investigations have uncovered schemes in which individuals have used identity theft to illegally obtain benefits and schemes in which UI benefits have been paid to ineligible claimants.

Department's Progress: The Department has taken some measures to reduce and prevent UI and DUA overpayments. The Department stated in its FY 2006 Performance and Accountability Report that it has developed a new core performance measure on overpayment detection. Although the Department implemented this new performance measure two years ago, there has been only a slight drop in the UI overpayment rate. The Department is also working with state agencies to encourage the use of the NDNH database, which will improve the states' efforts to detect overpayments early. The OIG is currently conducting an audit to assess the states' use of this tool.

In coordination with other Federal partners and the National Association of State Workforce Agencies, the Department has developed action plans using lessons learned from recent disasters. The Department has also brought together Federal partners to develop a resource guide to facilitate coordination and streamline the delivery of services in the event of a major disaster.

The OIG is working with UI's state partners to more effectively provide training to detect and prevent UI fraud.

CHALLENGE: Improving the Federal Employees' Compensation Act Program

Overview: The Federal Employees' Compensation Act (FECA) Program provides income and pays medical expenses for covered Federal civilian employees injured on the job or who have work-related occupational diseases, and dependents of employees whose deaths resulted from job-related injuries or occupational diseases. This program is administered by the Department and impacts employees and budgets of all Federal agencies. FECA benefit expenditures totaled \$2.6 billion in 2007. Most of these costs were charged back to individual agencies for reimbursement to the Department's Office of Workers' Compensation Programs (OWCP).

Challenge for the Department: The structure and operation of the FECA program is both a Departmental and a government-wide challenge. All Federal agencies rely upon OWCP to adjudicate the eligibility of claims, to manage the medical treatment of those claims, and to make compensation payments and to pay medical expenses. Ensuring proper payments while being responsive and timely to eligible claimants is a challenge for OWCP. Among these challenges are moving claimants off the periodic rolls when they can return to work or their eligibility ceases, preventing ineligible recipients from receiving benefits, and preventing fraud by service providers and by individuals who receive FECA benefits while working.

The OIG recognizes that it is difficult to identify and address improper payments and/or fraud in the FECA program. Another difficulty is that OWCP does not have the legal authority to match FECA compensation recipients against social security wage records. Currently, OWCP must obtain permission from each individual claimant each time in order for it to check records. Being able to do the match would enable OWCP to identify individuals who are collecting FECA benefits while working and collecting wages.

Department's Progress: The Department has taken several steps to improve the administration of FECA. The Department completed the roll-out of its new FECA benefit payment system, Integrated Federal Employee Compensation System, which tracks due dates of medical evaluations; revalidates eligibility for continued benefits; uses data mining to prevent improper payments; boosts efficiency; and promises improved customer satisfaction.

The Department needs to continue to seek legislative reforms to the program. The OIG supports the Department's efforts to seek legislative reforms to the FECA program which would enhance incentives for employees who have recovered to return to work, address retirement equity issues, discourage unsubstantiated or otherwise unnecessary claims, and make other benefit and administrative improvements. Through the enactment of these proposals, the Department estimates savings to the government over ten years to be \$384 million. These legislative reforms would assist the Department to focus on improving case management and to ensure only eligible individuals receive benefits.

To help ensure proper payments in the FECA program, the Department is seeking legislative authority to easily and expeditiously access SSA wage records.

The OIG continues to provide training to DOL and to other Federal agencies in the detection and prevention of fraud against the FECA program. In addition, the OIG has started an audit to determine whether OWCP is complying with Federal regulations and internal

policies and procedures when assessing the wage earning capacity of FECA periodic roll claimants.

CHALLENGE: Improving Procurement Integrity

Overview: The Department contracts for many goods and services to assist in carrying out its mission. In FY 2007, the Department's acquisition authority exceeded \$1.8 billion and included over 10,700 acquisition actions.

Challenge for the Department: Ensuring integrity in procurement activities is a continuing challenge for the Department. The OIG's work continues to identify violations of Federal procurement regulations, preferential treatment in awards, procurement actions that were not in the government's best interest, and conflicts of interest in awards. For example, an OIG audit of an employment and training contract raised concerns about preferential treatment in how work was directed to a specific subcontractor. Another audit found no evidence that DOL Contracting Officers were checking required sources – existing government inventories of excess personal property or nonprofit agencies affiliated with the Committee for Purchase from People Who Are Blind or Severely Disabled – before making GSA Schedule procurements.

The Services Acquisition Reform Act (SARA) of 2003 requires that executive agencies appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. However, the Department's current organization is not in compliance with this requirement, as the Assistant Secretary for Administration and Management is serving as the CAO while retaining other significant non-acquisition responsibilities. Until procurement and programmatic responsibilities are properly separated and effective controls are put in place, the Department will be at risk for wasteful and abusive procurement practices.

In addition, a recent OIG audit of procurements for Job Corps found that procurement personnel did not always comply with the Federal Acquisition Regulation in obtaining adequate justification for sole source contracts. The OIG also determined that there was a lack of training and inadequate oversight during the contracting process. As a result, contracting integrity, as well as fair and open competition, could be compromised.

Department's Progress: The Department has taken preliminary steps to implement SARA. In January 2007, the Secretary issued Order 2-2007, which formally established the position of CAO within DOL. This Order specifically stated that the CAO will have acquisition management as a primary duty. Further, the Order emphasized that the CAO will report to the Secretary with day-to-day guidance from the Deputy Secretary and that the CAO will have responsibility for overseeing other Department acquisition activities. Unfortunately, the Department still has not satisfied the full intent of SARA, as the delegated CAO continues to perform many other duties unrelated to acquisition management, such as serving as the Department's Chief Information Officer and overseeing the Department's budget operations.

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

Overview: The Department's Foreign Labor Certification (FLC) programs provide United States (U.S.) employers access to foreign labor to meet worker shortages under terms and

conditions that do not adversely affect U.S. workers. The Permanent Foreign Labor Certification Program allows an employer to hire a foreign worker to work permanently in the U.S., if a qualified U.S. worker is unavailable. The H-1B program allows the Department to certify employers' applications to hire temporary foreign workers in specialty occupations such as medicine, biotechnology, and business. The H-2B program permits employers to hire foreign workers to come temporarily to the U.S. and perform temporary non-agricultural labor on a one-time, seasonal, peak load, or intermittent basis.

In March 2005, ETA created the PERM (Permanent Electronic Review Management) system which removed the states from a direct role in reviewing and auditing applications for foreign labor certification, eliminated the 100 percent review of such applications, and established a random sampling and targeted approach to auditing applications to ensure compliance with the law and program requirements.

Challenge for the Department: Maintaining the integrity of its FLC programs, while also ensuring a timely and effective review of applications to hire foreign workers, is a continuing challenge for the Department.

OIG investigations, some of which have been initiated based on referrals from ETA, have identified fraud against these programs, and is the fastest growing area of OIG investigations. OIG investigations continue to uncover schemes carried out by immigration attorneys, labor brokers, and transnational organized crime groups, some with possible national security implications. Further, OIG investigations have revealed schemes involving fraudulent applications that are filed with DOL on behalf of fictitious companies—or applications using names of legitimate companies without their knowledge.

An OIG audit of the PERM system found that ETA had discontinued random audits of applications for alien employment certifications. Furthermore, ETA had not conducted audits of all the applications selected for audit, whether selected randomly or as a result of its targeting criteria. The Department discontinued random audits in December 2005, citing a lack of staff resources to conduct the audits and began relying solely on its targeted audits to ensure integrity of the FLC programs. However, as employers and representatives such as labor brokers and others learned what elements in an application were likely to trigger an audit, they were able to structure applications in a way that could lessen the likelihood of applications being audited. The random audit process served as a deterrent to fraudulent FLC applications.

Department's Progress: The Department has instituted measures to reduce fraud in its FLC programs. As a result of OIG investigations repeatedly demonstrating the need to eliminate the practice of substituting a new foreign worker for the one originally named on a permanent labor certification application, in July 2007 the Department enacted the Fraud Rule which prohibited the practice of substitution.

In addition, the OIG and the Department have been working collaboratively to identify and reduce fraud in the FLC process by providing training and instruction to ETA personnel on better and more creative ways of identifying and referring to the OIG possible labor-related visa fraud. In March 2008, ETA's OFLC launched its Fraud Detection and Protection Unit designed to recognize visa fraud and more expeditiously respond to OIG requests for program-related information. The OIG continues to work closely with ETA's fraud unit.

CHALLENGE: Securing Information Technology Systems and Protecting Related Information Assets

Overview: It is essential for the Department to ensure that its information systems are secure. These systems contain vital sensitive information that is central to the Department's mission and to the effective administration of its programs—systems and information that provide the nation's leading economic indicators such as the Consumer Price Index, unemployment rate, injury and illness rates, workers' compensation benefits, participant pension and welfare plan information and job and training services. The Congress and the public have voiced concerns over the ability of government agencies to provide effective information security and to protect critical data.

Challenge for the Department: Security of information technology (IT) systems is a government-wide challenge and is a continuing challenge for DOL. Keeping up with new threats and IT developments, providing assurances that information technology systems will function reliably, and safeguarding information assets will continue to challenge the Department today and in the future.

The OIG's IT audits have identified access controls, oversight of contractor systems, and the effectiveness of the Chief Information Officer's oversight of the Department's full implementation of mandatory, minimum information security controls as DOL's most significant challenges. The OIG has reported on access control weaknesses over the Department's major information systems since FY 2001. These weaknesses represent a significant deficiency over access to key systems and may permit unauthorized users to obtain or alter sensitive information, including unauthorized access to financial records and data.

Another challenge for the Department is ensuring that information systems operated by contractors have the same level of IT security controls as systems operated by the Department. OIG audit work has disclosed security deficiencies in contractor operated systems.

An OIG FY 2008 Federal Information Security Management Act (FISMA) audit found that the DOL security program did not fully implement minimum security controls. The OIG identified pervasive and obvious weaknesses across DOL, including access controls, certification, accreditation and security assessment, configuration management, contingency planning, and incident response. The OIG has identified these same deficiencies in past years' FISMA audits. The recurring cycle of the same weaknesses, especially obvious access control vulnerabilities, identified by the OIG since FY 2006 demonstrates that DOL's information security program must improve its current effort to fully implement and monitor information security controls throughout the Department.

In light of these challenges, the OIG continues to recommend the creation of an independent Chief Information Officer (CIO) to provide exclusive oversight of IT issues. Accountability can be further enhanced by developing and implementing new reporting lines of communication for the Chief Information Security Officer (CISO) and the Component Program Information Security Officers (CPISO). These new communication lines will require the CISO to report directly to both the CIO and an Executive in the Secretary's Office dealing with major security matters, including progress on maintaining an effective Department-wide information security program. The CPISOs would continue to report directly to their respective component program Assistant Secretary while also

reporting to DOL's CISO. These steps will help to establish a greater degree of accountability for an overall effective information security program.

Department's Progress: In efforts to fully comply with FISMA, the Department is taking steps to improve the security of its information systems by focusing on access controls, policies and procedures, account management, and system authorization. The Department's Chief Information Officer plans to improve upon the testing and monitoring of system security, focusing on those agencies identified as having greater identified vulnerabilities/risks. Finally, the Department has required all employees to complete Computer Security Awareness Training annually.

CHALLENGE: Ensuring the Security of Employee Benefit Plan Assets

Overview: The Department's mission is to protect the security of retirement, health and other private sector, employer-provided benefits for America's workers, retirees and their families. These benefit plans consist of approximately \$5.6 trillion in assets covering more than 150 million workers and retirees. EBSA is charged with overseeing the administration and enforcement of the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA).

Challenge for the Department: Protecting these benefit plan assets against fraud is a challenge for the Department. OIG labor racketeering investigations demonstrate the continued vulnerability of plan assets to criminal activity.

Employer benefit plan audits by independent public accountants provide a first-line defense for plan participants against financial loss. Ensuring that audits by independent public accountants meet quality standards adds to the Department's challenge in providing adequate oversight. However, DOL's authority to require plan audits to meet standards remains limited because the Department does not have the authority to suspend, debar, or levy civil penalties against employee benefit plan auditors. The Department must obtain legislative change to correct substandard benefit plan audits and ensure that auditors with poor records do not perform additional plan audits.

Other legislative changes recommended by OIG include the repeal of ERISA's limited scope audit exemption that prevents independent public accountants from rendering an opinion on the plans' financial statements or assets held in other regulated entities such as financial institutions, requiring plan administrators or auditors to report potential ERISA violations directly to DOL, and strengthening criminal penalties in Title 18 of the U.S. Code to provide a stronger fraud deterrent.

Another challenge is the Department's responsibility for regulatory oversight of ERISA health care provisions. DOL needs to continue to work closely with State insurance commissioners and the Department of Justice to assist in the identification and prosecution of fraudulent Multiple Employer Welfare Arrangements.

The OIG is planning an audit to determine how EBSA evaluates the effectiveness of its National enforcement projects and uses this information to direct future enforcement activities. Further, the OIG is beginning an audit to evaluate whether EBSA's Rapid ERISA Action Team project proactively identifies employers facing financial hardships in order to

protect the rights and benefits of pension and health plan participants when the plan sponsor faces severe financial hardship.

Department's Progress: While the Department has sought the recommended legislative changes, these changes have not been enacted.

DOL continues to utilize a multi-pronged strategy to help ensure compliance with ERISA Title I. EBSA has also reached out to other Federal enforcement agencies to broaden its enforcement efforts. A Memorandum of Understanding (MOU) was signed on July 29, 2008, between EBSA and the Securities and Exchange Commission. The MOU establishes a process for both agencies to share information and meet regularly on matters of mutual interest, including findings and trends, enforcement cases, and regulatory requirements.

CHALLENGE: Preserving Departmental Records

Overview: The Federal Records Act of 1950 requires that the head of each Federal agency establish and maintain an active records management program. The National Archives and Records Administration has oversight responsibilities for Federal records management programs. The Department's Assistant Secretary for Administration and Management is responsible for managing the Department's records and for providing overall policy direction for the Department's records management program. The Department's records management program consists of records creation, maintenance and use, and disposition of records to achieve adequate and proper documentation of the Department's policies and transactions.

Challenge for the Department: It is a challenge for the Department to ensure that it preserves records in accordance with laws and regulations, and properly disposes of those records it is not required to keep. It is also a major challenge for the Department to have an effective recordkeeping and document management system to manage e-mails and electronic file needs. DOL may be at risk of not being able to address in a timely and complete manner e-mail and electronic file needs required as a result of legal hold orders and litigation discovery.

An additional challenge is the proper handling for both hard copy and electronic records that do not have legal retention requirements. Although these documents and files are not considered long-term Federal records, they may be subject to legal holds, congressional requests, and requests under the Freedom of Information Act. It is therefore important that they are disposed of in accordance with an appropriate records management program.

The OIG's recent audit of the Department's Records Management Program found that the Department had not: conducted comprehensive periodic evaluations of its records management program; provided records management training to all staff, or effectively managed transitory records or documents that have no legal retention requirements.

Department's Progress: Records management is an emerging challenge for the Department and agencies government-wide, particularly as reliance on electronic documents continues to increase. In FY 2008, the Department implemented mandatory Records Management Training for all its employees. The Department will conduct periodic evaluations of agency's records management programs over a five year cycle beginning in FY 2009. The Department has undertaken other efforts to improve its records

management program, including issuing guidance and specific instructions on how to handle electronic records, issuing an updated Records Management Handbook, and updating agency records schedules. The Department has also stated that it will update its cost-benefit analysis regarding the establishment of an electronic recordkeeping and document management system. Such a system would provide capabilities for storing, indexing, locating and tracking e-mails that are Federal records and addresses the unnecessary retention of e-mails that are transitory records or non-records.

EMERGING CHALLENGE

Congress enacted the Energy Employees Occupational Illness Compensation Program Act to provide timely, uniform, and adequate compensation to civilian men and women suffering from cancer and other illnesses incurred as a result of their work in the nuclear weapons production and testing programs of the Department of Energy and its predecessor agencies. As of August of this year, the Department had received 167,018 claims, and issued decisions to approve or deny benefits on nearly 82 percent of these claims. The Department had approved slightly more than 39 percent of claims and paid nearly \$3.8 billion in compensation plus more than \$200 million in medical reimbursements.

Recent inquiries by several members of Congress and the public have raised concerns as to whether the Department unfairly denies too many claims and whether claims decisions are timely.

In response to concerns about the Energy workers' program, the OIG is conducting an audit to determine whether claim decisions issued by the Department complied with applicable law and regulations, and whether the Department has a system in place to ensure that claims are adjudicated as promptly as possible and claimants are kept informed.

NOVEMBER 2009, DOL OIG, "TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF LABOR: ENSURING THE EFFECTIVENESS OF THE JOB CORPS PROGRAM"

Top Management Challenges



The Top Management Challenges identified by the Office of the Inspector General (OIG) for the Department of Labor (DOL) are discussed below. The Department's responses and presentation of its progress on the Top Management Challenges are shown following the OIG report.

2009 Top Management Challenges Facing the Department of Labor

For 2009, the OIG considers the following as the most serious management and performance challenges facing the Department:

- Implementing the American Recovery and Reinvestment Act of 2009
- Protecting the Safety and Health of Workers
- Improving Performance Accountability of Grants
- Ensuring the Effectiveness of the Job Corps Program
- Safeguarding Unemployment Insurance
- Improving the Management of Workers' Compensation Programs
- Improving Procurement Integrity
- Maintaining the Integrity of Foreign Labor Certification Programs
- Securing Information Technology Systems and Protecting Related Information Assets
- Ensuring the Security of Employee Benefit Plan Assets

For each challenge, the OIG presents an overview of the challenge, a description of the challenge, and the OIG's assessment of the Department's progress in addressing the challenge. The OIG continues to review and monitor how these complex issues are addressed.

CHALLENGE: Implementing the American Recovery and Reinvestment Act of 2009

OVERVIEW: The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law on February 17, 2009. It is an unprecedented effort to jumpstart the economy, while creating or saving millions of jobs. DOL has three key roles in the Recovery Act effort: providing worker training for these jobs; easing the burden of the recession on workers and employers by providing for extensions and expansions of unemployment benefits; and assisting and educating unemployed workers regarding expanded access to continued health benefits. The Recovery Act also appropriates substantial funding for construction, alteration, and repair of Federal buildings and for infrastructure projects such as roads, bridges, and public transit.

CHALLENGE FOR THE DEPARTMENT: The Recovery Act provided the Department with approximately \$45 billion and mandated that these funds be spent expeditiously while ensuring transparency, accountability, and results. The risk for fraud and abuse grows when large sums of money are being disbursed quickly, eligibility requirements are being established or changed, or new programs are being created. Consequently, the Department has to meet the challenges inherently created by increased funding and the corresponding increase in the attempts at fraud and abuse that will likely follow. In addition, the Department has new or increased requirements impacting many of its ongoing programs. For example, the Recovery Act contains premium assistance provisions that expand the Consolidated Omnibus Budget Reconciliation Act (COBRA) eligibility and provide eligible individuals with a 65% reduction of their COBRA premiums for up to nine months. The Employee Benefits Security Administration (EBSA) will now be responsible for administering the extension and subsidization of COBRA for certain groups of eligible laid off workers and for handling appeals, outreach, and regulatory responsibilities. Handling the appeals in a timely manner, and having the necessary, trained personnel to do so, is a major challenge, as EBSA has reported receiving 6,000 inquiries per week about the COBRA premium reduction.

In addition, the increased funding tied to improvements to the Nation's infrastructure work will have an impact on Departmental enforcement efforts related to worker pay.

About \$40 billion of the Department's Recovery Act funds will be used to provide extensions of unemployment benefits and to fund a new temporary Federal Additional Compensation program, which increases the Weekly Benefit Amount for unemployment benefits by \$25 per week. While costly, the Recovery Act provisions relating to benefit extensions are (1) a continuation of the Emergency Unemployment Compensation program created by the Supplemental Appropriations Act 2008, and (2) an inducement for states to pay benefits under the permanent federal-state extended benefit program. The Federal Additional Compensation program is new to the Department, as well as to the States that are paying the additional weekly benefit and the Department will be challenged to ensure that these benefits are accounted for correctly.

The Recovery Act provided almost \$5 billion for Workforce Investment Act (WIA) programs, most of which will be expended through non-Federal entities, rather than directly by the Department. While these WIA programs are not new, our past audits have demonstrated problems with respect to grant accountability. Given the large number of grants being awarded under tight time frames, the pressure to spend the funds quickly, and the increased reporting requirements mandated by the Recovery Act, the Department now faces even greater challenges in demonstrating and reporting that grants are properly awarded, funds are properly spent, and that these investments achieve their intended outcomes.

The amount of Recovery Act funding designated for infrastructure work will increase the number of Federal construction projects over the course of two years. The Wage and Hour Division (WHD) will be required to publish up-to-date and accurate prevailing wage determinations for use on the newly funded construction projects, and to establish an active enforcement program for Recovery Act covered projects. Many WHD investigators have little or no experience with Davis-Bacon Act enforcement. Davis-Bacon complaint workloads are expected to substantially increase, an increase that may continue over a number of years given that some of the funded projects may be under construction for several years. It will be a challenge for WHD to assign a sufficient number of trained personnel that will ensure workers receive the wages they are legally due, and avoid a backlog of non-Recovery Act complaints as a result of increased Recovery Act worker complaints.

The Recovery Act requires Federal agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how their tax dollars are being spent. The Department faces several challenges in implementing the performance reporting requirements of the Recovery Act. Most importantly, the Department needs to report whether recipients used Recovery Act funds to train and place participants in high-demand occupations or industries. Additionally, the Department needs to develop policies and procedures to perform data quality reviews of the quarterly reports submitted by recipients.

DEPARTMENT'S PROGRESS: The Department continues to implement its responsibilities under the Recovery Act and financial and performance reporting guidance issued by the Office of Management and Budget (OMB). In keeping with the Recovery Act's goals for accountability and transparency, DOL established a Web site (<http://www.dol.gov/recovery/>) to keep the public informed on how it is spending Recovery Act funds, and updates it regularly. The Department reassigned staff to address Recovery Act workload and launched a hiring initiative to meet its expanded program responsibilities. Individual agencies have taken steps to address their increased responsibilities under the Recovery Act. The Department appointed a Senior Accountable Official for the Recovery Act. The Senior Accountable Official has held weekly meetings to discuss the Department's progress in fulfilling the Recovery Act's responsibilities. The Office of the Chief Financial Officer has developed new accounting codes to enable it to separately account for Recovery Act funds. EBSA responded to more than 110,000 telephone inquiries related to COBRA premium assistance in the first five months after Recovery Act passage, and the Employment and Training Administration (ETA) made available to the states \$40 billion to support and expand unemployment insurance and \$3.5 billion in training and employment formula funds. WHD has selected a senior executive to

manage implementation of its Recovery Act plan, and budget, administrative, procurement, human resources and wage determination and enforcement staff have been reassigned to assist in Recovery Act efforts.

OIG completed several audits in fiscal year (FY) 2009 assessing the Department's progress under the Recovery Act. For Recovery Act financial activity, OIG found that, generally, the Department has implemented procedures to account for Recovery Act financial activity as required by Federal law and OMB guidance, and report on the use of Recovery Act funds in accordance with OMB guidance.

OIG's audit of the implementation of the Federal Assistance Compensation program in 10 states found that all of the states had aggressively implemented the program. As of June 30, 2009, the 10 states had paid about \$1.3 billion in benefits to Federal Assistance Compensation program recipients. Challenges encountered by the states included overpayment identification, recovery capabilities, and the withholding of taxes. The audit also found non-compliance issues concerning states not reporting overpayment information to ETA and not withholding taxes when requested by claimants.

OIG's audit of EBSA's implementation of the COBRA premium assistance provisions of the Recovery Act found that EBSA quickly started outreach activities to implement the COBRA provisions under the Recovery Act, and designed and implemented a process to provide timely reviews of appeals of premium assistance denials. EBSA could improve several aspects of its efforts through improved coordination with ETA to ensure Recovery Act COBRA premium assistance materials are displayed and distributed at all One-Stop centers, using feedback from enforcement investigations to help assess outreach efforts, developing a resource contingency plan, improving controls to assure accurate dates are used on applicant determination letters, and redesigning the letters sent to appellants.

CHALLENGE: Protecting the Safety and Health of Workers

OVERVIEW: The Department administers the Occupational Safety and Health Act of 1970 and the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement Emergency Response Act of 2006. The workplace safety and health of our nation's workers depends on DOL's strong enforcement of these laws.

CHALLENGE FOR THE DEPARTMENT: The two DOL agencies primarily responsible for worker safety and health are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). OSHA is responsible for ensuring safe and healthful working conditions for 111 million workers at more than seven million establishments. MSHA is responsible for the safety and health of over 390,000 miners who work at more than 14,800 mines. Given the scope of their responsibilities, OSHA and MSHA are continually challenged to effectively utilize their operating resources to meet mission needs in all areas of responsibility.

With more than 7 million workplaces nationwide and with 5,071 fatal workplace injuries reported by the Bureau of Labor Statistics in 2008¹, OSHA's challenge is to target its limited resources to workplaces where they can have the greatest impact. In 2003, OSHA developed the Enhanced Enforcement Program (EEP). The EEP was designed to identify employers indifferent to their obligations under the Occupational Safety and Health Act in order to target their worksites with increased enforcement attention.

Our recent audit of OSHA's EEP found that OSHA did not always properly identify employers for enhanced enforcement. When it did, OSHA did not always take proper action nor place the appropriate management emphasis on compliance, commit the necessary resources, and provide clear policy guidance. For example, in 29 OSHA-designated EEP cases, OSHA did not take any of the appropriate enhanced enforcement actions, and 16 of the 29 employers reported 20 subsequent fatalities. Of these, 14 fatalities were in cases that shared similar

¹These numbers include fatalities not under OSHA jurisdiction, such as deaths among miners, transportation workers, domestic workers, some public employees, and the self-employed, as well as fatalities that fall outside of OSHA's definition of work-relatedness.

violations. The OIG recommended that OSHA form a task force to make recommendations to improve program efficiency and effectiveness in the following areas: targeting employers indifferent to the safety of their employees which are most likely to have unabated hazards and/or company-wide safety and health issues at multiple worksites; ensuring appropriate actions (i.e., follow-up and related worksite inspections) are taken on indifferent employers and related companies; centralizing data analysis to identify employers with multiple EEP qualifying and/or fatality cases that occur across Regions; and identifying and sharing Regional and Area Offices' "best practices" to improve compliance with EEP requirements.

Regarding MSHA, the OIG's reviews over the past several years revealed a pattern of weak oversight, inadequate policies, and a lack of accountability on the part of MSHA, which were exacerbated by years of resource shortages. Historically, MSHA was not meeting its statutory responsibility to conduct inspections at the nation's coal mines. Insufficient resources during a period of increasing mining activity made it difficult for the Department to ensure that it had enough resources in the right places to protect the safety of miners. While Congress allocated supplemental funding to MSHA in FY 2006 to hire additional mine inspectors, the full impact of that increase was not immediately realized. MSHA states that it takes from 18 to 24 months of classroom and on-the-job training for a new hire to become a qualified mine inspector. Therefore, MSHA is just now reaching a point where those new mine inspectors can have an impact on MSHA's workload. Retirements and other attritions make maintaining a sufficient number of trained mine inspectors an ongoing challenge.

DEPARTMENT'S PROGRESS: OSHA has established an EEP Revision Task Force to design a new program that will be able to identify and inspect recalcitrant employers more effectively. Some changes under consideration include mandatory follow-up inspections, more inspections of other establishments of an identified company, and additional enhanced settlement provisions. OSHA plans for the new program to include a more intensive examination of an employer's history for systemic problems that would trigger additional mandatory inspections.

All personnel hired under the FY 2006 supplemental funding provided to MSHA by Congress have now completed their training and are mine inspectors. As of April 30, 2009, MSHA reported that it had increased its enforcement personnel by 30 percent over 2006 levels. Additional hiring of trainees, due to attrition of enforcement personnel is an ongoing activity. Efforts are also underway to attract and retain engineers and specialists. In 2008, for the first time in its history, MSHA reported that it completed 100 percent of all mandatory mine inspections. However, the OIG remains concerned that MSHA has improved its efforts in inspecting mines at the cost of not fulfilling other statutory responsibilities, such as mine plan reviews.

CHALLENGE: Improving Performance Accountability of Grants

OVERVIEW: In FY 2008, the Department's ETA reported program costs totaling \$3.2 billion for the WIA Adult, Dislocated Worker, and Youth programs. WIA Adult employment and training programs are provided through financial assistance grants to States and territories to design and operate programs for disadvantaged persons, including public assistance recipients. ETA also awards grants to States to provide reemployment services and retraining assistance to individuals dislocated from their employment. Youth programs are also funded through grant awards that support program activities and services to prepare low-income youth for academic and employment success, including summer jobs, by linking academic and occupational learning with youth development activities.

CHALLENGE FOR THE DEPARTMENT: DOL is challenged to ensure that discretionary grants are properly awarded and that the Department receives the quality of services that the taxpayers deserve. Successfully meeting the employment and training needs of citizens requires selecting the best service providers, making expectations clear to grantees, ensuring that success can be measured, providing active oversight, evaluating outcomes, and disseminating and replicating proven strategies and programs. Past OIG and Government Accountability Office (GAO) audits have found weaknesses in how ETA manages its grants to this end. In audits involving the High

Growth, Community Based, and WIRED initiatives, weaknesses found included the lack of competition in awarding grants, grants that failed to achieve major performance goals, grant agreements with goals that were so unclear it was impossible to determine success or failure, and grants whose required matching funds were not provided. Our audits also found that ETA has not evaluated the usefulness of individual grant products or the overall effectiveness of its discretionary grant initiatives. ETA is also challenged to provide adequate oversight and monitoring of the grants it awards, as the agency lacks reliable and timely performance data that would allow identification of problems in time to correct them. In 2005, ETA implemented a data validation initiative to ensure that state workforce agencies (SWA) report accurate and reliable performance data for WIA programs. OIG's recent audit of three states found that they were not using the appropriate ETA criteria or source documentation to perform the data validations. As a result, ETA has no assurance that data validation is operating as designed, or that the data reported by states can be relied upon for accurately reporting performance results.

The large increase in funding provided by the Recovery Act challenges the Department even more in ensuring that grant funds are appropriately spent on activities that will yield the desired training and employment outcomes.

DEPARTMENT'S PROGRESS: As a result of the audits by the OIG and GAO, ETA has indicated that it will increase the emphasis placed on awarding discretionary grants competitively, developed procedures designed to better document decisions and discussions that lead to grant actions, implemented new procedures to ensure the proper justification of any future non-competitive awards, and provided training to agency grant officers on these new procedures. ETA has also stated that future agreements for pilots and demonstration grants will require grantees to obtain an independent evaluation of grant results. While these actions, if effectively implemented, should help to improve performance accountability, ETA needs to focus its future efforts on determining how best to prioritize its available resources to adequately monitor grant performance and how to evaluate grants to ensure desired results are achieved. In conjunction with our planned Recovery Act audit work, we will review the Department's stated progress in this challenge area.

CHALLENGE: Ensuring the Effectiveness of the Job Corps Program

OVERVIEW: Education, training, and support services are provided to approximately 60,000 students at 123 Job Corps centers located throughout the United States and Puerto Rico. Job Corps centers are operated for DOL by private companies through competitive contracting processes, and by other Federal Agencies through interagency agreements. The program was appropriated nearly \$1.7 billion in FY 2009.

CHALLENGE FOR THE DEPARTMENT: The OIG's work has consistently identified challenges to the effectiveness of the Job Corps program. These challenges include ensuring the safety and health of students and having accurate, reliable, performance data necessary to determine the success of the program. OIG audits have identified safety program weaknesses at some centers, including unsafe or unhealthy conditions and the lack of required safety inspections. Unsafe or unhealthy conditions affect the learning environment and could adversely impact the overall success of the Job Corps program. Further, Job Corps officials need to do more to address the problems of centers not taking appropriate action for student misconduct, including illegal drug use and violence. The OIG found that some centers did not hold required behavior review board meetings to evaluate student misconduct and initiate disciplinary action. The lack of appropriate disciplinary action, including termination of enrollment, may place the remaining students at risk.

OIG audits have found that weak controls at centers have resulted in the overstatement and misrepresentation of performance data. The OIG has found problems with the reporting of student outcomes, on-board strength and attendance. This is a particular challenge for Job Corps when centers are operated by contractors through performance-based contracts, which tie cost reimbursement, incentive fees and bonuses directly to contractor performance largely measured by on-board strength, attendance, and outcomes. Under such contracts, there is a risk that contractors will graduate students with incomplete training or inflate their performance reports so they

can continue to operate centers. It is essential for Job Corps to have reliable, accurate, and timely data, so that the Department can effectively evaluate contractor performance and participant outcomes.

DEPARTMENT'S PROGRESS: Job Corps continues to take actions such as strengthening policies and procedures, conducting periodic center assessments, and following up on issues identified in center assessments and contractor assessments. Specifically, Job Corps has recently revised its policies regarding the completion of training records, which was intended to mitigate both the risk of contractors graduating students with incomplete training or inflating their performance reporting. However, our audits continue to identify problems. Job Corps's actions may not achieve the desired outcomes unless proactive, consistent, and rigorous oversight of contractors and personnel is provided at all centers.

CHALLENGE: Safeguarding Unemployment Insurance

OVERVIEW: The Department partners with the states to administer unemployment benefit programs. State Unemployment Insurance (UI) provides benefits to workers who are unemployed and meet the eligibility requirements established by their respective states. UI benefits are largely ² financed through employer taxes imposed by the states and deposited in the Unemployment Trust Fund (UTF), from which the states pay the benefits.

The Department funds State Workforce Agencies (SWAs), which administer the UI program through grant agreements. These grant agreements are intended to ensure that SWAs both administer the UI program efficiently and comply with Federal laws and regulations. In addition, the SWAs are required to have disaster contingency plans in place to enable them to administer benefits in the aftermath of a disaster.

Disaster Unemployment Assistance (DUA) is a Federally-funded program that provides financial assistance to individuals who lose their jobs as a direct result of a major disaster and are ineligible for other UI benefits.

CHALLENGE FOR THE DEPARTMENT: Reducing and preventing UI and DUA overpayments by improving controls over eligibility, timely detecting and recovering overpayments, and combating fraud against these programs remain major challenges for the Department. Another challenge involves ensuring that SWAs have adequate information technology contingency plans that provide for the continuation of services in the aftermath of disasters.

In FY 2008, the Department reported a total overpayment rate of 9.92 percent, which equates to more than \$3.8 billion in UI overpayments—an increase from the \$3 billion reported in FY 2007. The Department met its target goal of identifying and establishing for recovery 56 percent of UI overpayments in FY 2008; however, this goal had been reduced from the target levels of 59-60 percent established during the previous five years. It is a challenge for the Department and the SWAs to have systems and controls in place to quickly prevent or respond to improper payments. The current economic downturn increases this challenge, as more claims are filed and states shift resources from detecting improper payments to processing claims. The Department needs to promote the states' use of the National Directory of New Hires (NDNH) database to prevent and timely detect overpayments. Our recent audit found that ETA could not demonstrate it exercised sufficient oversight to ensure SWAs utilized information from the NDNH to prevent and detect unemployment compensation overpayments. Without effective reviews of SWAs' use of the NDNH for cross-matching UI claims, ETA cannot ensure the reliability of the data provided by the states, and the dollar value of detected or possible undetected overpayments is unknown or cannot be validated. We also found that California (which accounts for roughly 16 percent of total UI benefits paid), Indiana, the District of Columbia, and Puerto Rico were not using the NDNH to detect unemployment compensation overpayments.

² Employees also contribute to Unemployment Insurance in three states.

Reducing fraud committed against the UI program is also a challenge. ETA estimates that about \$1 billion of the \$3.8 billion total overpayments resulted from willful misrepresentation by the claimant – a fraud overpayment rate of 2.7 percent of UI benefits paid in FY 2008. The OIG investigates fraud committed by individuals who do not report or who underreport earnings and income while receiving UI benefits. In addition to single claimants and fictitious employer-related schemes, OIG investigations continue to uncover schemes in which individuals and/or conspirators commit identity theft to illegally obtain benefits in which UI benefits have been paid to ineligible claimants.

The Department also needs to ensure that SWAs have adequate Information Technology (IT) Contingency Plans that will enable them to continue to pay UI benefits in the event of a disaster such as a hurricane. Our recent audit found that ETA had not ensured that SWA partners had established and maintained required IT contingency plans. Specifically, 50 out of 51 plans lacked critical elements to ensure the continued availability of the UI systems. It is critical that all SWAs have IT contingency plans for UI to ensure that individuals who rely on these benefits receive this vital support in a time of need and uncertainty.

DEPARTMENT'S PROGRESS: The Department has taken some measures to reduce and prevent UI and DUA overpayments. The Department stated in the DOL 2008 Performance and Accountability Report that it is continuing to promote the use of NDNH by all states, facilitating a National UI Benefits and Adjudication Conference for states to share best practices and discuss improvement strategies, and issuing guidance to the states to address legislative requirements of the Unemployment Compensation Integrity Act of 2008, which authorizes recovery of some UI fraud overpayments by offsetting Federal income tax refunds. Despite the Department's efforts, the UI overpayment rate over the seven-year period from CY 2002-2008 averaged 9.6 percent, an increase over the previous 12 year period, which averaged 8.3 percent.

The OIG continues to work with UI's state partners to more effectively provide training to detect and prevent UI fraud. In addition, UI was a participant at the OIG's recent investigators training conference where it provided instruction on its efforts to recognize, refer and address fraud relating to its program.

The Department generally agreed to implement our recommendations that ETA conduct annual verification of SWAs' IT contingency plans. ETA plans to begin working with a selected group of SWAs each year to verify the existence and reliability of their IT contingency plans, using the risk based approach that was recommended by the OIG. ETA also plans to issue advisories to the SWAs informing each about the availability of FY 2009 funds to develop or update IT contingency plans, including a requirement that the states awarded UI grants obtain independent verification and validation of their contingency plans' acceptability.

CHALLENGE: Improving the Management of Workers' Compensation Programs

OVERVIEW: The Department has responsibility for managing the Energy Employees Occupational Illness Compensation Act Program (Energy workers' program) and the Federal Employees' Compensation Act (FECA) Program, both of which were designed to address the needs of employees who are injured on the job.

The Energy workers' program was created to provide compensation to civilian employees who incurred an occupational illness, such as cancer, as a result of their exposure to radiation while employed in the nuclear weapons production and testing programs of the Department of Energy and its predecessor agencies. In certain circumstances, these employees' survivors may be eligible for compensation. Since the program began in 2001, through September 30, 2009, DOL reports it has received 183,456 claims, and issued decisions on nearly 90 percent of these claims. DOL had approved slightly more than 38 percent of claims filed and paid nearly \$4.8 billion in compensation.

The FECA program provides income and pays medical expenses for covered Federal civilian employees injured on the job, those who have work-related occupational diseases, and dependents of employees whose deaths resulted from job-related injuries or occupational diseases. This program is administered by the Department, impacting all Federal agencies' budgets and employees. FECA benefit expenditures totaled \$2.7 billion in 2008. Most of these costs were charged back to individual agencies for reimbursement to the Department's Office of Workers' Compensation Programs (OWCP).

CHALLENGE FOR THE DEPARTMENT: The challenge for the Energy workers' program centers on the number of claims that are denied compensation and on the timeliness of its claim decisions. For the FECA program, the determination of continuing eligibility is the primary challenge.

Inquiries by several members of Congress and the public raised concerns as to whether the Department unfairly denied too many Energy claims and whether claims decisions were timely. In response to those concerns, the OIG conducted an evaluation to determine whether claim decisions issued by the Department complied with applicable law and regulations, and whether the Department has a system in place to ensure that claims are adjudicated as promptly as possible and claimants are kept informed. The OIG found that claims decisions complied with applicable laws and regulations, and were based on the evidence provided by or obtained on the behalf of claimants. The OIG also found that the Energy workers' program has made progress in reducing the time it takes to adjudicate claims. However, we found that the claims process remained lengthy and it could take up to two years or more to process and adjudicate a claim. Part of the challenge is that the National Institute for Occupational Safety and Health (NIOSH) must prepare a dose reconstruction of the amount of radiation to which an employee with cancer was exposed. The dose reconstruction process is complicated and time consuming. The Department has no regulatory authority to control the time it takes to complete the NIOSH process. Nonetheless, more can be done to further reduce the time it takes to process claims, to assist claimants in developing their claims, and to better educate claimants on general program requirements. The timeliness of adjudicating claims from the viewpoint of the claimant, (i.e., how long it takes from the time they apply for benefits to reaching a final decision), needs to be measured and reported to show how well the Energy workers' program is serving claimants, rather than solely measuring how long a claim is at DOL.

For FECA, the structure and operation of the program is both a Departmental and a government-wide challenge. All Federal agencies rely upon OWCP to adjudicate the eligibility of claims, to manage the medical treatment of those claims, to make compensation payments, and to pay medical expenses. Ensuring proper payments while being responsive and timely to eligible claimants is a challenge for OWCP. Among these challenges are moving claimants off the periodic rolls when they can return to work or their eligibility ceases, preventing ineligible recipients from receiving benefits, and preventing fraud by service providers, and by individuals who receive FECA benefits while working. A recent OIG audit found OWCP needs to improve its process for monitoring claimants in the temporary "reemployment status not yet determined" category. FECA claims examiners are responsible for proactively managing these cases until the claimant either returns to work, is found to be entitled to reduced compensation, or it is determined the claimant has no re-employment potential for an indefinite future. OIG noted 2,860 claimants who had been receiving FECA compensation while in the temporary "reemployment status not yet determined" category for 15 years or longer.

The OIG recognizes that it is difficult to identify and address improper payments and/or fraud in the FECA program. Another difficulty is that OWCP does not have the legal authority to match FECA compensation recipients against social security wage records. Currently, OWCP must obtain permission from each individual claimant each time in order for it to check records. Being able to do the match would enable OWCP to identify individuals who are collecting FECA benefits while working and collecting wages.

DEPARTMENT'S PROGRESS: For the Energy workers' program, the Department has implemented new procedures to reduce the time it takes to develop impairment claims and is revamping its procedural guidance. Additionally, the Department is measuring its timeliness performance from the point of application to final decision and

payment. The Department now publishes on its Web site graphs that show the processing times for various types of cases, including those sent to NIOSH for completion of a dose reconstruction. These measures are updated quarterly. The Department has also provided its Resource Centers with expanded access to the Energy Case Management System (ECMS), which will provide enhanced customer service to claimants. The Resource Centers are also working to improve the level of education provided to potential claimants regarding the benefits available under the Act.

For FECA, the Department completed the roll-out of its new FECA benefit payment system, the Integrated Federal Employee Compensation System, that is designed to track due dates of medical evaluations, revalidate eligibility for continued benefits, use data mining to prevent improper payments, boost efficiency, and improve customer satisfaction.

The Department needs to continue its efforts to seek legislative reforms to the FECA program to enhance incentives for employees who have recovered to return to work, address retirement equity issues, discourage unsubstantiated or otherwise unnecessary claims, and make other benefit and administrative improvements. Through the enactment of these proposals, the Department estimates savings to the government over 10 years to be \$384 million. These legislative reforms would assist the Department to focus on improving case management and to ensure only eligible individuals receive benefits. In addition, to help ensure proper payments in the FECA program, the Department is seeking legislative authority to allow for easy and expeditious access to Social Security Administration (SSA) wage records.

The OIG continues to provide training to DOL and to other Federal agencies in the detection and prevention of fraud against the FECA program. This training is designed to upgrade and develop the best investigative practices and techniques throughout the investigative community to keep pace with the new types of fraudulent schemes confronting the program. Additionally, OWCP participated in the OIG's recent investigator training conference where it provided guidance on its various programs and suggestions for working with the OIG to effectively address fraud in those programs.

CHALLENGE: Improving Procurement Integrity

OVERVIEW: The Department contracts for many goods and services to assist in carrying out its mission. In FY 2008, the Department's acquisition authority exceeded \$1.8 billion and included over 9,300 acquisition actions.

CHALLENGE FOR THE DEPARTMENT: Ensuring integrity in procurement activities is a continuing challenge for the Department. The OIG's past audit work has identified violations of Federal procurement regulations, preferential treatment in awards, procurement actions that were not in the government's best interest, and conflicts of interest in awards.

The Services Acquisition Reform Act (SARA) of 2003 requires that executive agencies appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. The Department's organization has not been in compliance with this requirement, as the Assistant Secretary for Administration and Management serves as the CAO while retaining other significant non-acquisition responsibilities. Until procurement and programmatic responsibilities are properly separated and effective controls are put in place, the Department will continue to be at risk for wasteful and abusive procurement practices.

DEPARTMENT'S PROGRESS: In January 2007, then-Secretary of Labor Chao issued Order 2-2007, which formally established the position of CAO within DOL. This Order specifically stated that the CAO will have acquisition management as a primary duty. Further, the Order emphasized that the CAO will report to the Secretary with day-to-day guidance from the Deputy Secretary and that the CAO will have responsibility for overseeing other Department acquisition activities. However, the Department is not in compliance with the full intent of SARA, as

the delegated CAO continues to perform many other duties unrelated to acquisition management, such as serving as the Department's Chief Information Officer and overseeing the Department's budget operations. The new DOL leadership is considering its options regarding compliance with the requirements of SARA.

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

OVERVIEW: The Department's Foreign Labor Certification (FLC) programs provide United States (U.S.) employers access to foreign labor to meet worker shortages under terms and conditions that do not adversely affect U.S. workers. The permanent labor certification program allows an employer to hire a foreign worker to work permanently in the United States, if a qualified U.S. worker is unavailable and the employment of the foreign worker will not adversely affect the wages and working conditions of similarly employed U.S. Workers. The H-1B program allows the Department to certify employers' applications to hire temporary foreign workers in specialty occupations such as medicine, biotechnology, and business. The H-2B program permits employers to hire foreign workers to come temporarily to the United States and perform temporary non-agricultural labor on a one-time, seasonal, peak load, or intermittent basis.

CHALLENGE FOR THE DEPARTMENT: Maintaining the integrity of its FLC programs, while also ensuring a timely and effective review of applications to hire foreign workers, is a continuing challenge for the Department.

OIG investigations, initiated on referrals from ETA, other law enforcement and non-law enforcement entities, as well as on pro-active OIG efforts, continue to uncover schemes carried out by immigration attorneys, labor brokers, and transnational organized crime groups, some with possible national security implications. OIG investigations have repeatedly revealed schemes involving fraudulent applications filed with DOL on behalf of fictitious companies, and those wherein fraudulent applications were filed using the names of legitimate companies without their knowledge. Additionally, OIG investigations have uncovered complex schemes involving fraudulent DOL FLC documents filed in conjunction with or in support of similarly falsified identification documents required by other Federal and state organizations.

From an audit standpoint, the OIG has looked at how the Department is challenged to maintain the integrity of the FLC programs. In a prior audit of the Department's FLC programs, we found ETA's statutory role in the H-1B program to be limited by law to a perfunctory review of applications. ETA is required to approve an H-1B application if the form is complete and free of obvious errors, which amounts to a review function without any meaningful impact. In addition, a recent OIG audit of the ETA's iCert H-1B Labor Condition Applications processing system found that system improvements are needed to better identify incomplete and/or obviously inaccurate labor condition applications.

In March 2005, ETA created the PERM (Permanent Electronic Review Management) system which removed the states from a direct role in reviewing and auditing applications for permanent foreign labor certification, eliminated the 100 percent review of such applications, and established a sampling and targeting approach to auditing applications to ensure compliance with the law and program requirements. An OIG audit of the PERM system found that ETA had discontinued certain types of audits. We also found that ETA had not conducted audits of all the applications selected for audit. As a result, ETA may have certified fraudulent applications or applications that did not meet required criteria. Certifying labor applications for foreign workers who were not eligible for employment could negatively affect the U.S. workforce by reducing the number of jobs available for U.S. workers.

DEPARTMENT'S PROGRESS: The OIG and the Department have been working collaboratively to identify and reduce fraud in the FLC process by providing training and instruction to ETA personnel on better and more creative ways of identifying and referring to the OIG possible labor-related fraud. In March 2008, ETA's Office of Foreign Labor Certification launched its Fraud Detection and Prevention Unit designed to recognize application fraud by reviewing

for inconsistencies, errors, and omissions. The OIG continues to work closely with ETA's fraud unit, which, as a presenter at the OIG's recent investigator training conference, provided program insight and ideas for better addressing fraud uncovered in its programs.

In the first quarter of FY 2009, the Department began a review to determine the feasibility of reinstituting the audits it had previously discontinued doing and is conducting audits as resources permit. The Department has also implemented other protocols to protect program integrity, including steps to ensure that all audits of applications identified for audit are actually conducted, and having experienced analysts manually review all applications.

CHALLENGE: Securing Information Technology Systems and Protecting Related Information Assets

OVERVIEW: DOL systems contain vital sensitive information that is central to the Department's mission and to the effective administration of its programs. DOL systems are used to determine and house the Nation's leading economic indicators, such as the unemployment rate and the Consumer Price Index. They also maintain critical data related to worker safety and health, pension and welfare benefits, job training services, and other worker benefits. The Congress and the public have voiced concerns over the ability of government agencies to provide effective information security and to protect critical data.

CHALLENGE FOR THE DEPARTMENT: Management of information technology (IT) systems is a continuing challenge for DOL. Keeping up with new threats, IT developments, providing assurances that IT systems will function reliably, and safeguarding information assets will continue to challenge the Department today and in the future.

The OIG's IT audits have identified access controls, oversight of contractor systems, and the effectiveness of the Chief Information Officer's oversight of the Department's full implementation of mandatory, minimum information security controls as DOL's most significant challenges. The OIG has reported on access control weaknesses over the Department's major information systems since FY 2001. These weaknesses represent a significant deficiency over access to key systems and may permit unauthorized users to obtain or alter sensitive information, including unauthorized access to financial records.

In light of these challenges, the OIG continues to recommend the creation of an independent Chief Information Officer (CIO) to provide exclusive oversight of all issues affecting the IT capabilities of the Department. Accountability can be further enhanced by developing and implementing new reporting lines of communication for the Chief Information Security Officer (CISO) and the Component Program Information Security Officers (CPISOs). These new communication lines will require the CISO to report directly to both the CIO and an Executive in the Secretary's Office dealing with major security matters, including progress on maintaining an effective Department-wide information security program. The CPISOs would continue to report directly to their respective component program Assistant Secretary while also reporting to DOL's CISO. These steps will help to establish a greater degree of accountability for an overall effective information security program.

DEPARTMENT'S PROGRESS: The Department is continuing to take steps to improve the security of its information systems by focusing on security controls identified as having the greatest risks throughout the Department, such as access controls and configuration management. The Department's CIO issued updated policy to implement minimum security controls developed by the National Institute of Standards and Technology and required by the Federal Information Security Management Act (FISMA) in those areas. The Department's CISO plans to focus testing on the technical and operational controls identified as having the greatest risks throughout the Department.

CHALLENGE: Ensuring the Security of Employee Benefit Plan Assets

OVERVIEW: The Department's mission is to protect the security of retirement, health, and other private-sector employer-provided benefits for America's workers, retirees, and their families. These benefit plans consist of approximately \$5.6 trillion in assets covering more than 150 million workers and retirees. EBSA is charged with overseeing the administration and enforcement of the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA).

CHALLENGE FOR THE DEPARTMENT: Protecting these benefit plan assets against fraud, misconduct, and negligence is a challenge for the Department. OIG labor racketeering investigations demonstrate the continued vulnerability of plan assets to criminal activity. The Department is further challenged by its restricted authority to oversee plan audits, ERISA's limited scope audit exemption, and inadequate assessments of program effectiveness.

Employer benefit plan audits by independent public accountants provide a first-line defense for plan participants against financial loss. Ensuring that audits by independent public accountants meet quality standards adds to the Department's challenge in providing adequate oversight. However, DOL's authority to require plan audits to meet standards remains limited, because the Department does not have the authority to suspend, debar, or levy civil penalties against employee benefit plan auditors who perform substandard audits. The Department must obtain legislative change to address deficient benefit plan audits and ensure that auditors with poor records do not perform additional plan audits.

Further, OIG investigations have shown that benefit plan assets remain vulnerable to labor racketeering and organized crime influence. Those pension plans, health plans, and welfare benefit plans comprise hundreds of billions of dollars in assets. Dishonest benefit plan service providers, including accountants, investment advisors, and plan administrators, continue to be a strong focus of OIG investigations, as well as corrupt union officials and organized crime members.

Another challenge involves EBSA's ability to assess the effectiveness of its civil enforcement programs. Our recent audit found that EBSA could not determine whether its civil enforcement projects, such as the Multiple Employer Welfare Arrangements project, were increasing compliance with the ERISA, or whether the projects were decreasing the risk that workers will lose benefits. We also found that EBSA could not clearly demonstrate it was directing its resources to the enforcement areas with the most impact on its mission to deter and correct ERISA violations. Each EBSA regional office differed in its interpretation of enforcement program impact and desired outcomes because EBSA Headquarters did not provide clear guidance on intended enforcement outcomes. As a result, the allocation of resources differed among the regional offices and agency resources may not have been directed at areas with the most impact.

OIG's audit of EBSA's Rapid ERISA Action Team (REACT) project found similar challenges. In the REACT project, EBSA aims to respond in an expedited manner to protect the rights and benefits of plan participants when the plan sponsor faces severe financial hardship or bankruptcy and the assets of the employee benefit plan are in jeopardy. The audit concluded that EBSA does not have a comprehensive method for measuring the desired activities and outcomes of the REACT project, and does not perform a national assessment to judge the value of the REACT project in meeting its overall enforcement mission.

DEPARTMENT'S PROGRESS: While the Department has sought the recommended legislative changes, such as expanding the authority of EBSA to address substandard benefit plan audits and ensuring that auditors with poor records do not perform additional plan audits, these changes have not been enacted. In response to OIG's audit report on the effectiveness of its civil enforcement projects, EBSA agreed that objectives for these projects could be more clearer; however, it disagreed with the recommendation to establish performance measures that evaluate

each civil enforcement project's outcomes versus the stated objective, and with the recommendation to develop guidance for allocating enforcement resources based on intended outcomes and actual performance results.

Changes from Last Year

Changes to the Top Management Challenges from FY 2008 include a revised management challenge previously entitled, "Improving the Federal Employees' Compensation Act Program," which has been renamed to "Improving the Management of Workers' Compensation Programs." Our revised title incorporates concerns regarding the Federal Employees Compensation Act Programs as well as the Energy Employees Occupational Illness Compensation Program. As discussed below, we removed the challenge entitled, "Preserving Departmental Records."

Preserving Departmental Records

Preserving Departmental Records was previously discussed in our FY 2008 Top Management Challenges. The Department took prompt action in responding to the multiple concerns we reported. This included providing annual training to all DOL employees; issuing guidance on the preservation of records, proper disposal of records, and management of electronic and hard copy records; and updating its cost-benefit analysis regarding the establishment of an electronic recordkeeping and document management system. As a result of the corrective actions taken by DOL management, we have removed this item from the list of Top Management Challenges.

NOVEMBER 2010, DOL OIG, "TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF LABOR: ENSURING THE EFFECTIVENESS OF THE JOB CORPS PROGRAM"

Top Management Challenges

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

2010 Top Management Challenges Facing the Department of Labor

For 2010, the OIG considers the following as the most serious management and performance challenges facing the Department:

- Achieving the Goals and Protecting the Investment Provided by the American Recovery and Reinvestment Act
- Protecting the Safety and Health of Workers
- Improving Performance Accountability of Workforce Investment Act Grants
- Ensuring the Effectiveness of the Job Corps Program
- Safeguarding Unemployment Insurance
- Improving the Management of Workers' Compensation Programs
- Maintaining the Integrity of Foreign Labor Certification Programs
- Securing Information Technology Systems and Protecting Related Information Assets
- Ensuring the Security of Employee Benefit Plan Assets
- Ensuring DOL's New Core Financial Management System Produces Reliable, Accurate, and Timely Financial Information

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

CHALLENGE: Achieving the Goals and Protecting the Investment Provided by the American Recovery and Reinvestment Act

OVERVIEW:

The American Recovery and Reinvestment Act (Recovery Act) was enacted on February 17, 2009, to create new jobs and save existing ones, spur economic activity, invest in long-term growth, and foster accountability and transparency in government spending. As of August 19, 2010, the Department received nearly \$71 billion in Recovery Act funds. DOL has three key roles in the Recovery Act effort: providing worker training for these jobs, easing the burden of the recession on workers and employers by providing for extensions and expansions of unemployment benefits, and assisting and educating unemployed workers regarding expanded access to continued health benefits. The Employment and Training Administration (ETA) is responsible for virtually all of the Recovery Act funds provided to the Department. The mission of ETA is to contribute to the more efficient functioning of the U.S. labor market by providing high-quality job training, employment, labor market information, and unemployment insurance services primarily through state and local workforce development systems.

CHALLENGE FOR THE DEPARTMENT:

Ensuring program effectiveness and meeting Recovery Act requirements to stimulate the economy is a significant challenge for the Department. However, in several DOL programs, large amounts of Recovery Act funds remain

unspent. We reviewed DOL Recovery Act programs on the Health Care Tax Credit (HCTC), Unemployment Insurance (UI) Modernization, and Job Corps Leasing, and we identified large amounts of unspent Recovery Act funds and questionable expenditures of other such funds. Our March 2010 audit of the HCTC National Emergency Grants found that just \$8 million of the \$150 million designated for the program had been awarded to states since the Recovery Act was signed into law on February 17, 2009. Similarly, as part of our September 2010 audit of UI modernization grants, nine states indicated in response to an OIG survey that they were unlikely to apply for \$1.3 billion of UI modernization benefits.

Conversely, the need to spend funds quickly to meet Recovery Act requirements can lead to awards that may not be in the government's best interest. For example, Job Corps' largest single expenditure of Recovery Act funds was a 20-year lease totaling \$82 million with the YWCA of Greater Los Angeles, Inc. for the construction of a new facility to house the Los Angeles Job Corps Center. Job Corps also agreed to pay 60% of fair market value at the end of the lease term if it opts to purchase the facility. The Recovery Act included provisions that specifically allowed Job Corps to use the multi-year lease option and advance payments to lease real property as long as construction began within 120 days of the Recovery Act's enactment. To meet the 120-day requirement of the Act, OASAM issued a Request for Proposals that closed on April 2, 2009, and required construction to begin on or before June 16, 2009. This timetable gave the potential awardee less than 3 months to begin construction. Job Corps only received one proposal, which was from the existing center operator. While Job Corps did negotiate the proposed cost of the multi-year lease down from \$105 million to \$82 million, it did not perform a cost benefit analysis, claiming it was not required to do so. Through our analysis, we estimate that Government construction of the facility may have cost \$31 million less than the \$82 million multi-year lease. As a result, Job Corps may have lost the opportunity to put at least \$31 million of Recovery Act funds to better use.

DEPARTMENT'S PROGRESS:

In last year's top management challenges, the OIG stated that ETA would be challenged to demonstrate that Recovery Act grants were properly awarded. Our audit work over the past year found that ETA has announced, evaluated, and issued Recovery Act grants in accordance with relevant criteria. Also, monitoring guidelines and procedures were comprehensive, and grant agreements informed grantees of their responsibilities for Recovery Act reporting. However, funds provided by the Act for monitoring Recovery Act grants have expired as of September 30, 2010, which impacts ETA's ability to execute its Recovery Act grantee monitoring and oversight responsibilities and may increase the risk that a portion of the \$717 million in Recovery Act grant funds may not be spent for their intended purposes. ETA has asked for funding to support an increase in grant monitoring staff as part of its FY 2011 budget request.

Regarding unused Recovery Act funds, Congress has rescinded \$110 million of the \$150 million appropriated for HCTC National Emergency Grants. According to ETA, approximately \$14 million of the original \$150 million has been obligated, leaving about \$26 million available for future grants.

WHAT REMAINS TO BE DONE:

ETA needs to continue its efforts to identify and prioritize workloads and funding levels to ensure Recovery Act grants are adequately monitored, grant funds are spent properly, and grants achieve their intended purpose. Over the next two years, the OIG will focus its Recovery Act audit efforts on assessing how grantees and contractors performed and what was accomplished with Recovery Act funding.

ETA also needs to consider whether unused Recovery Act funds should and could be put to better use. For the remaining \$26 million available for HCTC National Emergency Grants, ETA should obtain estimates of the amount of HCTC National Emergency Grant funds needed by each state, an action ETA believes would be more prudent to pursue after January 1, 2011, when the status of the Trade Adjustment Assistance program (which is pending reauthorization) is clearer.

Regarding the lease with YWCA, management objected to the audit report's estimate of potential savings that might have accrued from a direct land or building purchase as speculative, given that no other offeror came forward to offer a suitable building or parcel of land. Management also stated that a cost benefit analysis was not required because OMB waived certain budgetary reporting of the lease. We did not concur that this relieved the Department of conducting a sound cost/benefit analysis. ETA needs to work with contracting officials in OASAM to demonstrate that the multi-year lease with the YWCA to acquire a new facility at the LAJCC was the least expensive option to the Government, and if appropriate, renegotiate the multi-year lease agreement.

CHALLENGE: Protecting the Safety and Health of Workers

OVERVIEW:

The Department administers the Occupational Safety and Health Act of 1970 (OSH Act) and the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006. DOL's effective enforcement of these laws is critical toward ensuring the workplace safety of our nation's workers.

The two DOL agencies primarily responsible for enforcing these laws are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). OSHA is responsible for ensuring safe and healthful working conditions for 130 million workers at more than seven million establishments. MSHA is responsible for the safety and health of more than 350,000 miners who work at more than 14,500 mines.

CHALLENGE FOR THE DEPARTMENT:

Enforcement plays an important part in OSHA's efforts to reduce workplace injuries, illnesses, and fatalities. With 4,340 fatal workplace injuries reported by the Bureau of Labor Statistics in 2009, OSHA's challenges are how to best target its resources and how to measure the impact of its efforts. OSHA carries out its enforcement responsibilities through a combination of directed and complaint investigations, but can reach only a fraction of the seven million entities it regulates. Consequently, OSHA must strive to target the most egregious and persistent violators while protecting the most vulnerable worker populations. OSHA must also evaluate the success of its enforcement strategies. For example, when unsafe conditions are identified, OSHA inspectors issue citations with penalties. While the OSH Act requires OSHA to consider certain factors, such as the size of the company in finalizing penalty amounts, specific reductions are not mandated. OSHA policies establish reductions as an incentive to abate violations voluntarily. However, a recent OIG audit found that OSHA has not effectively evaluated the impact of hundreds of millions of dollars in penalty reductions as incentives to reducing workplace hazards.

Regarding MSHA, the OIG's reviews over the past several years revealed a pattern of weak oversight, inadequate policies, and a lack of accountability on the part of MSHA, which were exacerbated by years of resource shortages. MSHA's challenge involves effectively managing existing resources and utilizing existing authorities to maximize its enforcement efforts while fulfilling other important duties.

Historically, MSHA's resource shortage negatively impacted its ability to meet statutory requirements to conduct inspections at the nation's coal mines. In recent years, after Congress allocated supplemental funding to MSHA to hire additional mine inspectors, MSHA has emphasized completing 100% of its mandatory mine inspections. However, this has resulted in backlogs in other areas, such as the review of mine plans.

Recruiting and maintaining a properly trained cadre of mine inspectors is also a challenge for MSHA. A recent OIG audit found that journeyman MSHA inspectors were not being provided required periodic training. In addition, retirements and other attritions make maintaining a sufficient number of trained mine inspectors an ongoing challenge. By 2014, 41% of MSHA's enforcement personnel will be eligible to retire, and 25% are estimated to do

so. Consequently, MSHA must recruit and train the right personnel, as well as enough of them, to accomplish all of its critical statutory responsibilities.

MSHA has also struggled to consistently and proactively utilize its authority to identify mine operators with the worst compliance records. In 1977, with the passage of the Mine Act, MSHA was given the authority to take enhanced enforcement actions when a mine operator demonstrates recurring safety violations. This Pattern of Violations (POV) authority is an important tool for MSHA's enforcement activities; however, a recent OIG audit found that MSHA had not successfully used its POV authority in 32 years. Another challenge for MSHA's enforcement activities is the large volume of citations contested by mine operators and the resulting backlog of cases currently before the Federal Mine Safety and Health Review Commission.

Lastly, studies show that the incidence of Black Lung disease is rising and the disease is being found in younger miners. MSHA faces a challenge to reverse this trend through measures to reduce coal dust exposure.

DEPARTMENT'S PROGRESS:

OSHA has established a new program, the Severe Violator Enforcement Program (SVEP), which is designed to concentrate resources on inspecting employers who repeatedly violate the OSH Act. SVEP includes a requirement for mandatory follow-up inspections. As an example, for follow-up inspections of construction companies, which frequently move from location to location, SVEP requires that at least one other worksite of the cited employer be inspected if the initial worksite is closed. The Department has also introduced a new approach to measuring the performance of worker protection agencies. Central to this new approach is establishing regular processes for evaluating the success of enforcement strategies in helping to achieve desired outcomes.

MSHA continues to identify and hire mine inspector candidates within authorized personnel levels, and began examining and implementing faster, more efficient methods of delivering training using online technologies. Temporary resource reallocations and procedural changes have reduced the number of overdue mine plan reviews by two-thirds since 2008. MSHA indicates it has continued to work with the Federal Mine Safety and Health Commission to identify ways to reduce the backlog of challenged citations. Enacted in July 2010, the Supplemental Appropriations Act, 2010 (Public Law 111-212) provided an appropriation of \$18.2 million to the Department of Labor for the purpose of reducing existing case backlog before the Commission, and for other purposes. Of that amount, the Department has transferred \$4.451 million to MSHA for backlog reduction project expenses. MSHA continues to revamp the process and criteria for identifying mines with POV. In addition, MSHA is working with Congress to receive additional enforcement authorities through legislative changes. Through its "End Black Lung – Act NOW" initiative, MSHA has conducted public informational events, produced and distributed new educational materials, and co-sponsored one-day workshops with National Institute for Occupational Safety and Health (NIOSH). MSHA's rulemaking agenda includes work on a final rule regarding personal coal dust monitors and possible adjustments to coal dust exposure levels.

WHAT REMAINS TO BE DONE:

OSHA needs to monitor and evaluate the SVEP to ensure the program is being implemented as intended and is resulting in the identification and abatement of hazards having the desired results. As part of the Department's new approach to measuring the success of enforcement strategies, OSHA needs to evaluate the impact of penalty reductions on comprehensive improvements to workplace safety and health. OSHA also needs to implement its planned new information system, replacing its current 35-year-old system, which is subject to errors that hamper OSHA's enforcement efforts. In addition, adjustments to the new information system will likely be needed over the next several years to respond to program changes.

MSHA must formalize the policy and procedural changes of recent years by updating its operational handbooks, implement a human capital strategy that will continue to address expected enforcement personnel losses during the next five years, find ways to further reduce the number of overdue mine plan reviews, reduce the impact of any backlog of challenged citations on the effectiveness of its enforcement program, simplify and make more

transparent its process and criteria for placing mines on POV status, and monitor and measure efforts to reduce the rise in Black Lung cases.

CHALLENGE: Improving Performance Accountability of Workforce Investment Act Grants

OVERVIEW:

In FY 2009, ETA reported program costs totaling \$3.4 billion for the Workforce Investment Act (WIA) Adult, Dislocated Worker, and Youth programs. WIA adult employment and training programs are provided through financial assistance grants to States and territories to design and operate programs for disadvantaged persons, including public assistance recipients. ETA also awards grants to States to provide reemployment services and retraining assistance to individuals dislocated from their employment. Youth programs are funded through grant awards that support program activities and services to prepare low-income youth for academic and employment success, including summer jobs.

CHALLENGE FOR THE DEPARTMENT:

Successfully meeting the employment and training needs of citizens requires selecting the best service providers, making expectations clear to grantees, ensuring that success can be measured, providing active oversight, and disseminating and replicating proven strategies and programs. DOL is challenged to ensure the grants it awards accomplish program objectives. For example, SWAs are required under WIA to conduct evaluations of their Title IB workforce investment activities (Adult, Dislocated Worker, and Youth programs). A recent OIG audit found that not all SWAs conduct these evaluations, and those who do conduct them, do not always report the identified best practices in their respective WIA Annual Reports to ETA. ETA also did not have a process for analyzing and sharing the results with other SWAs and stakeholders. Without a mechanism for capturing, analyzing, and sharing the evaluations, SWAs and other grantees are missing opportunities to know and learn from other programs which may lead to significant improvements in their own operations.

ETA may face challenges in providing adequate oversight and monitoring for some of the grants it awards. Funds provided by the Recovery Act to ETA and used to monitor discretionary grants expired on September 30, 2010. The reduction in staff resources and funding for travel costs will impact ETA's ability to fully execute its grant monitoring and oversight functions. ETA is also still working to improve the quality of WIA performance data reported by states. Reliable and timely performance data are needed to allow ETA to identify performance problems in time to correct them.

DEPARTMENT'S PROGRESS:

ETA has commissioned independent evaluations of demonstrations and initiatives. In response to an OIG audit, ETA issued policy guidance in September 2010, which clarifies the information states should submit regarding evaluation studies of WIA activities.

With respect to grant monitoring, ETA has requested funding for 48 additional Recovery Act monitoring positions in the FY 2011 budget. In the meantime, it plans to assign the Recovery Act workload to a combination of both Recovery Act-funded and permanent Federal Project Officers. ETA has developed a Workforce Analysis report for each Regional Office on how the Recovery Act grants will be absorbed into ongoing operations. ETA also indicated it has used its remaining Recovery Act administrative funds to secure contract support for administrative tasks related to grants management. ETA stated this will free up permanent staff time for grants monitoring.

WHAT REMAINS TO BE DONE:

ETA needs to develop a process to analyze evaluation results so that it can improve delivery of services nationally and be a proactive clearinghouse to the SWAs for best practices. ETA has indicated it will: 1) develop guidelines for Regional Office staff to initially review SWA evaluations to determine which ones to pass on to its national office for

final review; 2) share best practices, tools, and replicable models identified through state evaluations based on rigorous research practices through its online technical assistance platform (www.WorkforceOne.org); and 3) explore opportunities, depending on funding availability, to improve the functionality of the WorkforceOne.org website. ETA also needs to complete the Data Validation component of its Core Monitoring Guide, provide training to ensure that its Regional Administrators and Federal Project Officers understand how to use the new component, and ensure data validation reviews are being done as part of regional monitoring in FY 2011.

CHALLENGE: Ensuring the Effectiveness of the Job Corps Program

OVERVIEW:

Education, training, and support services are provided to approximately 60,000 students at 124 Job Corps centers located throughout the United States and Puerto Rico. Job Corps centers are operated for DOL by private contractors, and by other Federal Agencies through interagency agreements. The program was appropriated nearly \$1.7 billion in FY 2010.

CHALLENGE FOR THE DEPARTMENT:

Placement and Recruitment Outcomes – Job Corps has been challenged to meet its placement and recruitment goals over the past several years. The number of Job Corps graduates placed in jobs, continuing their education, and/or entering the military has declined from 91% for the year ended June 30, 2005, to 76% for the year ended June 30, 2010. In addition, in June 2009, Government Accountability Office (GAO) reported that Job Corps achieved between 95 and 98% of the planned enrollment for male residential students during program years 2005 through 2007, but about 80% or less of the planned enrollment for female residential students. GAO recommended that Job Corps modify its recruiting methods and offer more career training that is both attractive to females and leads to careers that will enable them to become self sufficient.

Safety and Health Issues – Ensuring the quality of life at centers, including healthy living conditions and the sense of safety, is a continuing challenge for Job Corps. OIG audits continued to identify unsafe or unhealthy conditions and the lack of required safety inspections at some centers. We also found that some centers did not hold required behavior review board meetings to evaluate student misconduct and initiate disciplinary action; and underreported significant incidents occurring at the centers.

Performance and Financial Reporting – Ensuring the integrity of performance and financial data reported by center operators is a challenge for Job Corps. OIG audits have found that weak controls at centers have resulted in the overstatement of performance results, as well as unallowable costs charged to Job Corps. This is a particular challenge for Job Corps as most centers are operated by contractors through performance-based contracts with incentive fees and bonuses that are tied directly to contractor performance. Under such contracts, there is a risk that contractors will overstate performance results. Regarding financial activity, examples of problems identified by OIG audits include questioned costs of \$1.8 million related to a contractor's indirect costs, and \$65,553 that another contractor charged for the Center Director's personal housing and travel expenses.

DEPARTMENT'S PROGRESS:

In FY 2010, Job Corps stated it developed new female-oriented marketing and recruitment materials and increased its career technical training offerings to attract females, including high-growth industries such as health care and green jobs. Job Corps also created and distributed new materials and DVDs to assist with recruitment efforts.

Job Corps stated it has published several Information Notices and Program Instructions on safety issues, sent quarterly memoranda to the Regional Directors regarding major hazards identified during centers' quarterly inspections, and provided technical assistance in response to inquiries about center abatement action plans. Job Corps also reported that centers continued to provide training and support to students on issues such as conflict

resolution, abuse, and student leadership. Job Corps is in the process of clarifying its behavior management policies.

Job Corps stated that it added "Improving Data Integrity" to Regional Directors' performance standards, and conducted data integrity audits concurrently with onsite compliance/quality assessments.

WHAT REMAINS TO BE DONE:

Job Corps needs to evaluate the drop in graduate placements and identify strategies to reverse this trend. Job Corps stated it is closely examining ways to improve the graduate placement rate but noted that the economic climate is a factor in employment results. Job Corps also needs to evaluate the success of its newly developed training programs and its efforts to attract female students, and make adjustments where needed. In addition, Job Corps needs to take actions to ensure centers provide a safe and conducive learning environment while supporting student success and program retention. Finally, Job Corps needs to provide proactive, consistent, and rigorous oversight of contractors at all centers.

CHALLENGE: Safeguarding Unemployment Insurance

OVERVIEW:

ETA partners with the states to administer unemployment benefit programs. State UI provides benefits to workers who are unemployed and meet the eligibility requirements established by their respective states. UI benefits are largely financed through employer taxes imposed by the states and deposited in the Unemployment Trust Fund (UTF) from which the states pay the benefits. The states administer these programs under an agreement with DOL in accordance with their state laws and regulations. ETA funds SWAs who administer the UI program through grant agreements. These grant agreements are intended to ensure that SWAs efficiently administer the UI program and comply with Federal laws and regulations. In addition, the SWAs are required to have disaster contingency plans in place to enable them to administer benefits in the aftermath of a disaster.

CHALLENGE FOR THE DEPARTMENT:

The current economic downturn has made controlling overpayments more difficult, as the number of claims filed has greatly increased and new programs had to be implemented quickly, which ETA stated caused states to shift resources from detecting improper payments to processing claims. For the 2010 Improper Payment and Information Act (IPIA) reporting period (July 2009 to June 2010), ETA reported a total overpayment rate of 10.59%, which equates to more than \$15.2 billion in UI overpayments – an increase from the \$11.4 billion reported for the 2009 IPIA period. ETA estimates that about \$3.4 billion of these overpayments are attributable to fraud – an increase of \$600 million from the \$2.8 billion reported in FY 2009. OIG investigations continue to uncover UI fraud committed by individuals, as well as identity theft schemes designed to illegally obtain UI benefits. OIG's review of ETA's compliance with Executive Order 13520 and its required Report on UI Improper Payments identified improvements needed to measure and to mitigate UI improper payments.

ETA is also challenged to ensure that SWAs have adequate information technology (IT) contingency plans in place that provide for the continuation of services in the aftermath of disasters. Our prior audit found that ETA had not ensured that SWA partners had established and maintained adequate IT contingency plans. Specifically, 50 out of 51 plans lacked critical elements needed to ensure the continued availability of the UI systems.

DEPARTMENT'S PROGRESS:

In March 2010, the Department implemented the State Information Data Exchange System (SIDES), which enables communication and transmission of UI separation information requests from UI agencies to multi-state employers and third-party administrators. In May 2010, the Unemployment Compensation Program Integrity Act draft legislation was delivered to Congress, and if enacted, the legislation would permit states to use up to 5% of

recovered unemployment compensation overpayments to deter and detect benefit overpayments. The legislation would also give employers incentive to provide timely, accurate, and complete information about why their former employees no longer work for them – information critical for states to determine eligibility. In addition, three more SWAs began using the National Directory of New Hires (NDNH) to identify persons who continued to collect UI payments after obtaining employment. ETA also agreed to conduct annual verification of SWAs' IT contingency plans to verify both plan existence and reliability. ETA stated they provided funding to assist states to develop or update UI IT contingency plans. Thirty-one states were provided funding totaling more than \$4 million for this initiative.

WHAT REMAINS TO BE DONE:

ETA can further improve its oversight of the states' detection and prevention of UI, extended benefits, and Disaster Unemployment Assistance overpayments by fully implementing SIDES; increasing the frequency of SWA on-site reviews; and ensuring that California implements NDNH (California is the only state not to have done so, and it alone represents 13% of the UI overpayments nationally). ETA stated that California will implement NDNH by September 2011. ETA is continuing to pursue legislation to define the "Date of Hire" and mandate its reporting by employers; and continuing to promote States' use of a variety of other databases (e.g., Social Security, Department of Corrections) to prevent and detect improper UI benefit payments. ETA also needs to provide additional, more detailed information on its efforts to reduce improper payments in its next Report on UI Improper Payments. Finally, in FY 2011, ETA needs to continue working with the states on their development of well-documented IT contingency plans.

CHALLENGE: Improving the Management of Workers' Compensation Programs

OVERVIEW:

The Department has responsibility for managing the Energy Employees Occupational Illness Compensation Act Program (Energy workers' program) and the Federal Employees' Compensation Act (FECA) Program. Both of these programs are within DOL's Office of Workers' Compensation Programs (OWCP).

The Energy workers' program was created to provide monetary compensation and/or medical benefits to civilian employees who incurred an occupational illness, such as cancer, as a result of their exposure to radiation or other toxic substances while employed in the nuclear weapons and testing programs of the U.S. Department of Energy and its predecessor agencies. In certain circumstances, these employees' survivors may be eligible for compensation. Since the program began in 2001 and through August 26, 2010, DOL reports it has paid more than \$6 billion in compensation and medical benefits to more than 61,400 claimants nationwide.

The FECA provides wage-loss compensation and pays medical expenses for covered Federal civilian and certain other employees who incur work-related occupational injuries or illnesses as well as survivors benefits for a covered employee's employment-related death. This program is administered by the Department, impacting all Federal agencies' budgets and employees. In FY 2010, Federal employees filed 127,526 new injury claims and 19,861 claims for loss compensation. FECA benefit expenditures totaled nearly \$2.8 billion for wage-loss compensation and medical treatment to more than 250,000 beneficiaries in FY 2010. Most of these costs were charged back to individual agencies for reimbursement to OWCP's Federal Employees' Compensation Fund.

CHALLENGE FOR THE DEPARTMENT:

The overall challenge for the Energy workers' program centers on the timeliness of its claim decisions. For the FECA program, minimizing improper payments and fraud continues to be its primary challenge. FECA fraud opportunities continue to exist, and certain ones are made more likely by FECA's inability to match FECA compensation recipients against social security wage records.

The Energy Workers Compensation program, though administered by the DOL, requires the pre-adjudication input, assistance, and determinations of three other major Federal agencies and a Federal advisory board. Complex regulatory requirements and the difficulty of locating employment and other records, as well as the inability of sick, often aging, claimants to fully understand their rights and responsibilities, contribute to the lengthy decision process. Furthermore, the NIOSH must prepare a complicated and time consuming dose reconstruction of the amount of radiation to which an employee with cancer was exposed. The Department has no regulatory authority to control the completion time of the NIOSH process.

The FECA program must ensure it makes proper payments, while also being responsive and timely to eligible claimants. The challenges facing the FECA program include moving claimants off the periodic rolls when they can return to work or their eligibility ceases, preventing ineligible recipients from receiving benefits, and preventing fraud by service providers and by individuals who receive FECA benefits while working. The OIG recognizes that it is difficult to identify and address improper payments and/or fraud in the FECA program, and we have previously reported OWCP does not have the legal authority to match FECA compensation recipients against Social Security wage records. Currently, OWCP must obtain written permission each time from each individual claimant in order to check records. Having direct authority to perform the match would enable OWCP to identify individuals who are collecting FECA benefits while working and collecting wages.

DEPARTMENT'S PROGRESS:

The Division of Energy Employees Occupational Illness Compensation indicates it has implemented new procedures to reduce the time it takes to develop impairment claims and it is revamping its procedural guidance. In addition, the Department has set up procedures to measure its timeliness of performance starting from the point of application to the final decision and payment. Furthermore, DOL now publishes graphs on its Web site that show processing times for various types of cases, including those sent to NIOSH for completion of a dose reconstruction. DOL has sponsored town hall meetings to inform workers and their survivors about available program benefits, and its Traveling Resource Center goes out monthly to assist individuals with the filing of their claims. DEEOIC continues to work with pre-decisional components to streamline and improve the issuance of final decisions.

The Department completed the rollout of its FECA benefit payment system, the Integrated Federal Employee Compensation System. This system is designed to track due dates of medical evaluations, revalidate eligibility for continued benefits, use data mining to prevent improper payments, boost efficiency, and improve customer satisfaction. The Department has sought legislative authority to allow it access to Social Security Administration wage records. In addition, the OIG continued to provide training to DOL and to other Federal agencies in the detection and prevention of fraud against the FECA program.

WHAT REMAINS TO BE DONE:

The Department needs to continue its efforts to further reduce case processing times. While average processing times in the Energy Workers program have improved over the past several years, it still takes more than 18 months to reach a final decision on a Part B case. Part B covers current or former workers who have been diagnosed with cancers, beryllium disease, or silicosis, and whose illness was caused by exposure to radiation, beryllium, or silica.

In addition to the need for access to SSA wage records, the Department needs to continue to seek legislative reforms to the FECA program to enhance incentives for employees who have recovered to return to work, address retirement equity issues, discourage unsubstantiated or otherwise unnecessary claims, and make other benefit and

administrative improvements. Through the enactment of these proposals, the Department estimates savings to the government over 10 years to be \$437 million.

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

OVERVIEW:

The Department's Foreign Labor Certification (FLC) programs are administered by the ETA. These programs are intended to provide U.S. employers access to foreign labor to meet worker shortages under terms and conditions that do not adversely affect U.S. workers. The permanent labor certification program allows an employer to hire a foreign worker to work permanently in the United States, if a qualified U.S. worker is unavailable and the employment of the foreign worker will not adversely affect the wages and working conditions of similarly employed U.S. workers. The H-1B program allows the Department to certify employers' applications to hire temporary foreign workers in specialty occupations such as medicine, biotechnology, and business. The H-2B program permits employers to hire foreign workers to come temporarily to the United States and perform temporary non-agricultural labor on a one-time, seasonal, peak load, or intermittent basis. To obtain certification, employers must show that there are insufficient qualified U.S. workers available and willing to perform the work at the prevailing wage paid for the occupation. In addition, employers are required to pay any foreign worker the wage rate that prevails in the area of employment for the occupation and to comply with all laws governing such employment.

CHALLENGE FOR THE DEPARTMENT:

ETA is challenged in ensuring the integrity of the FLC programs it administers. OIG investigations (initiated on referrals from ETA and other law and non-law enforcement entities, as well as pro-active OIG efforts) continue to uncover schemes carried out by immigration attorneys, labor brokers, and transnational organized crime groups, some with possible national security implications. OIG investigations have repeatedly revealed schemes involving fraudulent applications filed with DOL on behalf of fictitious companies, and those wherein fraudulent applications were filed using the names of legitimate companies without the companies' knowledge. Additionally, OIG investigations have uncovered complex schemes involving fraudulent DOL FLC documents filed in conjunction with or in support of similarly falsified identification documents required by other Federal and state organizations.

Additional challenges ETA faces in maintaining the integrity of its foreign labor certification programs include statutory limits on its authority in the H-1B program, making system improvements in its H-1B Labor Condition Application processing system to better identify incomplete and/or obviously inaccurate applications, and uncertainty regarding the Department's authority to debar individuals or entities.

DEPARTMENT'S PROGRESS:

ETA's Office of Foreign Labor Certification (OFLC), Fraud Detection and Prevention Unit, which targets application fraud by reviewing applications for inconsistencies, errors, and omissions, continues to work closely with the OIG to identify and reduce fraud in the FLC process.

WHAT REMAINS TO BE DONE:

The Department needs to continue working with OIG to identify and reduce fraud, ensure appropriate training is provided to OFLC staff, and evaluate the results of its certification processes to assess their effectiveness. The Department needs to make adjustments to enhance integrity of its iCert H-1B Labor Condition Application processing system to incorporate missing electronic controls. Additionally, the Department should ensure debarments are considered, and decisions documented, for anyone convicted of FLC violations, and FLC debarments are reported to appropriate DOL personnel for inclusion in the government-wide exclusion system. To this end, ETA needs to work with the Office of the Solicitor to resolve this matter.

CHALLENGE: Securing Information Technology Systems and Protecting Related Information Assets
OVERVIEW:

DOL systems contain vital, sensitive information that is central to the Department's mission and to the effective administration of its programs. DOL systems are used to determine and house the Nation's leading economic indicators, such as the unemployment rate and the Consumer Price Index. They also maintain critical data related to worker safety and health, pension, and welfare benefits, job training services, and other worker benefits. The Congress and the public have voiced concerns over the ability of government agencies to provide effective information security and to protect critical data. The administration has called upon federal agencies to bring about greater use of technology to consolidate data center operations, use cloud computing infrastructures and services, and make use of Web 2.0 technologies, including blogs and social-networking services.

CHALLENGE FOR THE DEPARTMENT:

Overall, management of IT systems is a continuing challenge for DOL. Keeping up with new threats, IT developments, providing assurances that IT systems will function reliably, and safeguarding information assets will continue to challenge the Department today and in the future. The administration's goal of expanding the use of technology to create and maintain an open and transparent government, while safeguarding systems and protecting sensitive information, has added to the challenge.

The FY 2010 Federal Information Security Management Act (FISMA) audit identified access controls, inventory of sensitive IT assets, oversight of third-party systems, and remediation of known vulnerabilities as significant deficiencies. The OIG has reported on access control weaknesses over the Department's major information systems since FY 2001. These weaknesses represent a significant deficiency over access to key systems and may permit unauthorized users to obtain or alter sensitive information, including unauthorized access to financial records. Furthermore, the security of sensitive information that can be accessed remotely or stored on mobile computers/devices is a continuing challenge to the Department and in the Federal government overall. Management of these areas will likely become more challenging in the future as cloud computing is implemented. Consolidating data centers and moving mission critical systems to the cloud increases the risk of exposing personal identifiable information (PII) and unauthorized information exchanges, including critical and sensitive pre-decisional budget and policy information. While acknowledging the ongoing opportunity to improve controls, management has expressed its disagreement with these FISMA audit findings, in particular the seriousness of the issues identified by the OIG.

In light of these challenges, the OIG continues to recommend the creation of an independent Chief Information Officer (CIO) to provide exclusive oversight of all issues affecting the IT capabilities of the Department. While the Administration has moved to establish a separate CIO and Chief Technology Officer, DOL continues to manage its IT systems with a CIO who must balance IT with other important responsibilities, such as serving as the Chief Acquisition Officer (CAO) and Privacy Officer. The administration has clearly signaled that to be effective in meeting its objectives and goals going forward, such as implementing an open and transparent government, it will take a greater level of dedication to IT management and governance than in the past.

DEPARTMENT'S PROGRESS:

The Department is participating on several Federal Councils, Committees and Forums (e.g., Federal Chief Information Officer Council, Information Security and Identity Management Committee, the Chief Information Security Officer Forum) to assist in the development and implementation of policies, procedures, and standards that will address these challenges. In FY 2010, the Department focused its continuous monitoring program on the implementation of NIST 800-53 Rev 2 minimum security controls and on testing and evaluating access control and configuration management policies and procedures. Additionally, the Department established a Social Media Governance Work group that developed a Social Media policy and Handbook.

WHAT REMAINS TO BE DONE:

The Department needs to establish an independent CIO to provide exclusive oversight of all issues affecting the IT capabilities of the Department. DOL management recognizes the challenges associated with protecting the Department's information and information systems and is committed to strengthening its security posture. As such, the Department currently has plans in place to improve upon its security controls testing and evaluation process by performing agency specific customized testing that will focus on the agencies' high-risk vulnerabilities and control weaknesses and to pursue a technical solution for logging computer readable data extracts. Additionally, the Department will continue its current enterprise IT efforts to strengthen DOL's operating environment to include: infrastructure optimization, trusted internet connection, logical access control system, and a DOL risk management and compliance profile program. Social networking technologies will require the Department to develop new approaches to continuous monitoring of computer usage and providing information security assurance as the Department and its agencies begin taking advantage of Web 2.0, including blogging, Wiki, Facebook, MySpace, and Twitter as part of replacing old ways of communicating.

CHALLENGE: Ensuring the Security of Employee Benefit Plan Assets**OVERVIEW:**

The mission of the Department's Employee Benefits Security Administration (EBSA) is to protect the security of retirement, health, and other private-sector employer-sponsored benefits for America's workers, retirees, and their families. EBSA oversees benefit security for an estimated 708,000 private retirement plans, 2.8 million health plans, and similar numbers of other welfare benefit plans, such as those providing life or disability insurance. Benefits under EBSA's jurisdiction consist of approximately \$5 trillion in assets covering more than 150 million participants and beneficiaries. EBSA is charged with overseeing the administration and enforcement of the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA).

CHALLENGE FOR THE DEPARTMENT:

Protecting benefits and benefit plan assets generally against fraud, misconduct, and negligence remains an ongoing challenge for the Department. OIG investigations have shown that benefit plan assets remain vulnerable to labor racketeering and/or organized crime influence. These pension plans, health plans, and welfare benefit plans comprise trillions of dollars in assets covering more than 150 million American workers. Dishonest benefit plan service providers, including accountants, investment advisors, and plan administrators, continue to be a strong focus of OIG investigations, as well as corrupt union officials and/or organized crime members.

EBSA Has Limited Authority to Oversee Plan Audits – Employee benefit plan audits by independent public accountants (IPAs) must provide a first-line defense for plan participants against financial loss. Ensuring that audits by IPAs meet quality standards adds to the Department's challenge because the Department's authority to require plan audits to meet standards remains limited. EBSA does not have the authority to suspend, debar, or levy civil penalties against employee benefit plan auditors who perform substandard audits. In addition, ERISA allows plan administrators to exclude investments held by certain regulated institutions, such as banks and insurance companies, from the scope of a plan audit, resulting in the auditor's disclaimer of opinion on the financial statements, which seriously impairs the usefulness of the audit in protecting employee benefit plan assets.

EBSA Lacks Ability to Assess Enforcement Program Effectiveness – EBSA lacks the ability to assess the effectiveness of its civil enforcement programs. Our audits have found that EBSA could not determine whether its civil enforcement projects, such as the Multiple Employer Welfare Arrangements project and the Rapid ERISA Action Team (REACT) project, were increasing compliance with ERISA, or whether the projects were decreasing the risk that workers will lose benefits. We also found that EBSA could not clearly demonstrate it was directing resources to the enforcement areas with the most impact on its mission to deter and correct ERISA violations. Each EBSA regional office differed in its interpretation of its enforcement program impact and desired outcomes. As a result,

the allocation of resources differed among the regional offices, and agency resources may not have been directed at areas with the most impact.

Multiple Challenges Stem from Implementing the Patient Protection and Affordable Care Act (Health Care Reform Act)—The broad changes required by the Health Care Reform Act will challenge the Department to develop in excess of thirty new health plan regulations and provide ongoing technical assistance, incorporate new requirements into employee benefit enforcement programs, institute new statutorily mandated research and health plan surveys, and broaden assistance and educational programs for employee benefit plan participants and beneficiaries. These new and extensive health care requirements will pose major challenges for the Department.

DEPARTMENT'S PROGRESS:

The Department has previously sought legislative changes, such as expanding the authority of EBSA to address substandard benefit plan audits, and ensuring that auditors with poor records are not allowed to continue performing plan audits; these changes have not been enacted by Congress. In addition, the Department has unsuccessfully sought recommended legislative changes to either eliminate or modify the limited-scope audit exception to strengthen the protections afforded plan participants and beneficiaries. EBSA is working on new approaches to these issues and developing possible legislative language. In an effort to address inadequate assessments of the effectiveness of its enforcement program, EBSA, as part of the Department's FY 2011- 2016 Strategic Plan, will be implementing a Sample Investigation Program in 2011, which will review randomly selected employee benefit plans for compliance with ERISA. EBSA has also published eight interim final regulations under the Health Care Reform Act, as well as other sub-regulatory guidance documents and model notices.

WHAT REMAINS TO BE DONE:

EBSA needs to continue work to obtain legislative change to address deficient benefit plan audits, to ensure that auditors with poor records do not perform any additional plan audits, and to repeal the limited scope audit exception. EBSA will need to evaluate the results of the Sample Investigation Program to determine what changes are needed to improve program effectiveness, and continue its efforts to develop guidance to support its implementation of the Health Care Reform Act.

CHALLENGE: Ensuring DOL's New Core Financial Management System Produces Reliable, Accurate, and Timely Financial Information

OVERVIEW:

From FY 1989 to FY 2010, the DOL has relied upon the Department of Labor Accounting and Related Systems (DOLARS) as the financial system of record for the department. DOLARS was implemented prior to all of the modern-day laws and regulations that drive Federal accounting, financial management, financial reporting, and information security. As a result, DOLARS was enhanced and extended numerous times to meet the Department's internal and external reporting requirements; however, DOLARS antiquated technology did not allow DOL to efficiently and effectively meet its current and future financial and accounting needs. In July 2008, the Department awarded a contract for the development of the New Core Financial Management System (NCFMS). NCFMS was planned to be fully implemented and operational by mid-October 2009, but migration of data from DOLARS to NCFMS did not occur until January 2010.

CHALLENGE FOR THE DEPARTMENT:

The implementation of NCFMS has presented the Department with several challenges. The number of actual users is significantly higher than planned. Initial estimates were 500 total users, but as of October 2010, the count is more than 2,600. It remains a challenge to support this larger than expected user base.

The Department is currently unable to produce auditable financial statements on schedule. The Department is challenged to clean up inaccurate financial data from DOLARS and interfacing systems. Until these actions are completed, the system will continue to provide incorrect financial and budgetary information.

While many of the problems the Department has encountered with NCFMS can be attributed to the migration of data from DOLARS, new problems have been introduced due to the significant change in business processes and the users' lack of understanding of the new system. In NCFMS, certain key processes are performed differently than they were in DOLARS, because NCFMS incorporates the various OMB, Treasury and other Federal financial requirements, processes and controls.

DEPARTMENT'S PROGRESS:

The Department has indicated that NCFMS is now providing all of DOL with day-to-day financial transaction processing, budget execution, and reporting. Initially, integration and data migration issues required some manual workarounds to release grants and procurements. Additional data migration activities have substantially improved processing of these transactions, and the issuance of grants, travel payments and procurements is being consistently performed accurately and timely by NCFMS.

Initial NCFMS training was started in the summer of 2009; and based on feedback from attendees, the training was reformatted and given again with an agency focus in the fall of 2009. Computer Based Training and Quick Reference Guides were available in January 2010 prior to the NCFMS go-live, and continue to be used.

DOL stated it has been working with its service provider to scale the hardware, software, help desk, training, operations, and onsite support staff. According to DOL, this surge in support has resulted in the reduction of transaction backlogs, the lowering of late payment penalties and the increase in the accuracy of the data as transactions are getting processed more timely.

WHAT REMAINS TO BE DONE:

DOL needs to continue to work closely with OMB, Treasury and the OIG to address data quality and accuracy of reporting. The Department needs to enhance training materials on NCFMS and continue to train the NCFMS user community on its full capabilities. In addition, standard operating procedures and other such tools for NCFMS should be reviewed and revised on an ongoing basis to ensure that newly hired personnel have references on how to use the system. The first 9 months saw substantial increases in the number of late payment penalties as staff adjusted to the new business process. While DOL states it has nearly reached pre-implementation late payment rates, DOL needs to improve operational efficiencies in 2011 beyond the benchmarks of the previous system.

Changes from Last Year

Changes to the Top Management Challenges from FY 2009 include the addition of the challenge related to the implementation of the Department's NCFMS.

Improving Procurement Integrity was previously discussed in our FY 2009 Top Management Challenges. While the enactment of the Recovery Act greatly increased the amount of acquisition activity in the Department, our audit work found that, overall, the awards were announced, evaluated, and selected in accordance with relevant criteria. Additionally, Job Corps has addressed concerns expressed in previous audits regarding the lack of adequate segregation of duties between its Regional Director and Contracting Officer responsibilities by placing those functions in two different reporting structures.

While we have removed procurement integrity from the FY 2010 Top Management Challenges, we remain concerned that the Department has decided against appointing a CAO whose primary duty is acquisition management, as required by the Services Acquisition Reform Act of 2003. Audits of the Department's procurement activities will remain a priority for the OIG.

NOVEMBER 2011, DOL OIG, "TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF LABOR: ENSURING THE EFFECTIVENESS OF THE JOB CORPS PROGRAM"

Top Management Challenges (issued November 15, 2011)

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

2011 Top Management Challenges Facing the Department of Labor

For 2011, the OIG considers the following as the most serious management and performance challenges facing the Department:

- Protecting the Safety and Health of Workers
- Improving Performance Accountability of Workforce Investment Act Grants
- Ensuring the Effectiveness of the Job Corps Program
- Safeguarding Unemployment Insurance
- Improving the Management of Workers' Compensation Programs
- Maintaining the Integrity of Foreign Labor Certification Programs
- Ensuring the Security of Employee Benefit Plan Assets
- Securing Information Technology Systems and Protecting Related Information Assets
- Ensuring the Successful Development and Implementation of Major Information Management Systems
- Ensuring the Effectiveness of Veterans' Employment and Training Programs
- Improving Procurement Integrity

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

CHALLENGE: Protecting the Safety and Health of Workers

OVERVIEW:

The two DOL agencies primarily responsible for protecting workers are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). The Department is responsible for ensuring safe and healthful working conditions for 130 million workers at more than seven million establishments, and more than 350,000 miners who work at more than 14,500 mines nationwide. DOL's effective enforcement of worker safety laws is critical towards this end. However, both OSHA and MSHA must constantly balance the mandate of their missions with competing interests of business, labor, and other special interests.

CHALLENGE FOR THE DEPARTMENT:

Occupational Safety and Health Administration – With more than seven million entities under its oversight and 4,547 fatal workplace injuries reported by the Bureau of Labor Statistics (BLS) in 2010, OSHA continues to be challenged on how to best target its resources, and measure the impact of its policies and programs and those of the 27 states authorized by OSHA to operate their own safety and health programs. OSHA carries out its enforcement responsibilities through a combination of self-initiated and complaint investigations, but can reach only a fraction of the entities it regulates. Consequently, OSHA must strive to target the most egregious and persistent violators while protecting the most vulnerable worker populations.

Determining the Effectiveness of Federally and State Operated Worker Safety and Health Programs—While OSHA is required to ensure that state-operated programs are at least as effective as the safety and health programs operated directly by Federal OSHA, a recent OIG audit found that OSHA lacks outcomes-based performance metrics

to measure and demonstrate the causal effect of its own Federal programs on the safety and health of workers. Without such metrics, OSHA cannot determine the effectiveness of either Federally-operated or state-run worker safety and health programs.

Evaluating the Impact of Penalty Reductions – OSHA reduces penalties imposed on employers cited for safety and health violations as an incentive for employers to voluntarily correct safety and health violations. During the two-year period ending in June of 2009, OSHA inspections resulted in 142,187 citations, of which 98 percent received reductions with penalties of \$523.5 million being reduced by \$351.2 million (67percent). However, OSHA has not yet completed any evaluations as to whether penalty reductions actually result in enhanced compliance with safety and health rules.

Mine Safety and Health Administration – With more than 7,000 injuries and 71 fatalities reported in 2010, MSHA continues to be challenged to effectively manage its enforcement efforts and programs to ensure that every miner returns home safely at the end of each day.

Completing Mandatory Regular Safety and Health Inspections –Historically, MSHA has struggled to complete all of its mandated Regular Safety and Health mine inspections, as required by the Mine Act. In 2007, an OIG audit reported that MSHA was not completing all required inspections at the nation's coal mines. In a report issued in 2011, the OIG found that MSHA should be more transparent in reporting inspections. Although MSHA reported it completed all statutorily required Regular Safety and Health inspections of Metal/NonMetal mines in FY 2010, it had recorded only "attempted inspections" at more than 5 percent of the mines because those mines were temporarily idle on the day(s) on which MSHA visited the mines.

Applying Available Enforcement Authorities– Although the Mine Act provides MSHA with an array of enforcement tools, only recently has MSHA begun exercising some of its strongest authorities. A 2010 OIG audit questioned MSHA's ability to accurately identify repeat and egregious violators through its Pattern of Violations (POV) analysis and reported that, in 32 years it had never exercised its POV authority to place a mine on this enhanced enforcement despite concerns that recent mine fatalities might be linked to mines with patterns of violations. Timely identification of, and strong action against, the most serious violators is critical to protecting our nation's miners.

Addressing Contested Citations – As a result of stepped-up enforcement and the revised penalty provisions implemented in 2007, there has been an increase in citations and monetary fines issued by MSHA. However, mine operators have contested a growing percentage of citations before the Federal Mine Safety and Health Review Commission (FMSHRC), limiting MSHA's enforcement impact and straining its resources.

Maintaining an experienced and properly trained enforcement staff– MSHA must continue to recruit, train, and adequately supervise its enforcement workforce to meet its statutory obligations. This challenge will be exacerbated by retirements, with 41 percent of MSHA's enforcement personnel eligible to retire by 2014. Moreover, a 2010 OIG audit raised concerns about the supervision of inspector trainees and the continuing education of journeyman inspectors.

Timely Setting and Updating of Regulations and Standards– As scientific knowledge and mining practices change, MSHA must assure that its standards and regulations keep pace. MSHA's regulatory agenda, as of July 2011, contained seven separate proposed rulemakings. For example, MSHA has proposed lowering coal miners' exposure to coal dust, which is a change aimed at addressing recent increases in Black Lung disease among coal miners. MSHA will be challenged to issue final regulations in a timely manner while effectively and efficiently incorporating input from various stakeholders during the rulemaking process.

Fostering the Development and Implementation of New Technologies– Mining accidents in recent years have placed renewed attention on improving mine safety through the development and use of new technologies such as

wireless underground communication and miner tracking systems, a new generation of self-contained breathing apparatuses, and real-time monitoring devices such as a coal dust explosibility meter. While not directly responsible for developing such technology, MSHA's challenge is to encourage development of these new tools within the industry.

DEPARTMENT'S PROGRESS:

OSHA continues to review and enhance its Severe Violator Enforcement Program (SVEP), which is designed to concentrate resources on inspecting employers who repeatedly violate the OSH Act. OSHA revised its penalty policy which increased penalty amounts and decreased prior reductions in an effort to deter employer non-compliance with OSHA's standards.

Moreover, the Department introduced a new approach to measuring the performance of worker protection agencies. Central to this new approach is establishing regular processes for evaluating the success of enforcement strategies in helping to achieve desired outcomes. In this regard, the Department initiated a multi-year study of OSHA's Site-Specific Targeting program to assess the impact of the program interventions on future employer compliance.

MSHA continues to identify and hire mine inspector candidates within authorized personnel levels. MSHA has increased the use of videoconferencing and on-line courses to more quickly and conveniently deliver training. It has also made changes to more accurately and timely track training of new inspectors. MSHA has re-emphasized its policy requiring periodic retraining of all inspectors, including establishing a policy that prohibits personnel from conducting inspections if required retraining has not been completed and verified. During FY 2010 MSHA implemented new supervisory training programs for Metal/NonMetal and coal supervisors. MSHA reported that Metal/NonMetal supervisors have completed the training, and coal supervisors were expected to have completed it by the end of October 2011.

In November 2010, MSHA designed and implemented new criteria for identifying mines with a pattern of violations and established new criteria for potential POV mines to avoid receiving a POV notice. Since November 2010, MSHA has issued potential POV notices to 18 mines, including two mines that failed to maintain their improvements after initially meeting MSHA's criteria. As a result, for the first time in its history, MSHA placed mines under the enhanced enforcement of the POV authority. It also developed an on-line database that allows mine operators, miners, or the general public to monitor any mine's status in relation to the POV criteria. In January 2011, MSHA published proposed regulations aimed at further strengthening the existing POV process.

Using a supplemental appropriation received in July 2010, MSHA continues to work with the FMSHRC and DOL's Office of the Solicitor (SOL) to reduce a specific backlog of 10,425 cases that existed at July 31, 2010. Through July 28, 2011, this initial backlog had been reduced to 3,501 cases. However, MSHA reported that the overall FMSHRC caseload remained at 12,177 cases in September 2011 (down from a high of 15,082 cases in January 2011) as a result of additional appeals filed by mine operators after July 2010.

During FY 2011, MSHA published Proposed Rules related to lowering miners' exposure to respirable coal dust, strengthening requirements for examinations of underground coal mines. In June 2011, MSHA published a Final Rule increasing the rock dust requirements in underground coal mines.

MSHA has recently approved the first wireless communication system for use in underground mines and continues to support the National Institute for Occupational Safety and Health's efforts to develop a hand-held rock dust monitor by conducting tests of developmental models. MSHA stated it has proposed or finalized requirements for proximity detection systems for continuous mining machines in underground coal mines, refuge alternatives in underground mines, and improved flame-resistant conveyor belts. MSHA also stated it has conducted outreach with stakeholders, miners' representatives and the mining community to promote adoption of new technology, such as the next generation self-contained self-rescue device.

WHAT REMAINS TO BE DONE:

OSHA should to continue its efforts to ensure SVEP is operating as intended. As part of the Department's new approach to measuring the success of enforcement strategies, OSHA needs to continue its efforts to evaluate the impact of penalty reductions on comprehensive improvements to workplace safety and health, and evaluate whether State Plan programs are as effective as Federal OSHA in protecting workers.

MSHA must take steps to: complete all required inspections; finalize proposed POV regulations implementing procedures to facilitate early resolution of enforcement issues; collaborate with the FMSHRC to reduce the time it takes to resolve contested cases before the FMSHRC; timely complete its rulemaking agenda; and encourage technological advances.

CHALLENGE: Improving Performance Accountability of Workforce Investment Act Grants**OVERVIEW:**

In FY 2011, the Department's Employment and Training Administration (ETA) reported program costs totaling \$4.1 billion for the Workforce Investment Act (WIA) Adult, Dislocated Worker, and Youth programs. WIA adult employment and training services are provided through financial assistance grants to states and territories to design and operate programs for disadvantaged persons, including public assistance recipients. ETA also awards grants to states to provide reemployment services and retraining assistance to individuals dislocated from their employment. Youth programs are funded through grant awards that support program activities and services to prepare low-income youth for academic and employment success, including summer jobs.

CHALLENGE FOR THE DEPARTMENT:

Successfully meeting the employment and training needs of citizens requires selecting the best service providers, making expectations clear to grantees, ensuring that success can be measured, providing active oversight, and disseminating and replicating proven strategies and programs. DOL is challenged to ensure the grants it awards accomplish program objectives and that the performance data reported by the grantees are accurate and reliable.

Ensuring Grant Objectives Are Accomplished – The Department is challenged to ensure the grants it awards accomplish program objectives. Most critically, the Department needs to know whether training provided by grantees leads to training-related employment. A recent OIG audit of the WIA Adult and Dislocated Worker programs found that training related employment data reported by grantees was incomplete and unreliable. For a sample of 362 Adult and Dislocated Worker program exiters, OIG found that 37 percent either did not obtain employment or their employment was unrelated to the training they received. Additionally, for another 10 percent, the states could not provide sufficient evidence to determine whether the reported placement was training-related. OIG projected that the amount of funds paid for training these types of exiters totaled approximately \$124 million.

As reported by GAO in March 2011, the Department's research related to job training and employment generally addresses key employment and training issues. However, GAO found that some studies were limited in their usefulness and suggested that future research should include a focus on employment and training approaches that work and for whom. GAO also noted that WIA required the Department to conduct at least one multi-site control group evaluation of the services and programs under WIA by the end of FY 2005. ETA delayed executing such a study, soliciting proposals in November 2007 and awarding the \$23 million contract in June 2008. Several design revisions have been made to the study, and ETA expects to receive the final report in 2015 – 10 years later than the WIA-mandated timeframe.

Federal project officers are assigned to monitor grants, but carry a heavy workload. Monitoring is also limited by the amount of travel funds available. Further, WIA formula funds are awarded to states, who then distribute the

funds to local workforce investment areas within their states. As a result, ETA must rely on state monitoring efforts and reporting to assess grant performance. Reliable and timely performance data are needed to allow ETA to identify performance problems in time to correct them.

For example, a recent OIG audit of \$500 million in American Recovery and Reinvestment Act (Recovery Act) grants intended to prepare workers for green jobs found that the program's slow pace in placing workers into green jobs raises concerns that the original placement goals may not be reached before the grant periods expire. Of the \$490.1 million of grants awarded, \$162.8 million or 33 percent had been spent with about 73 percent of the grant period having elapsed as of June 30, 2011. More than two years after the Recovery Act was signed and 18 months after the grants were awarded, grantees have reported placing 8,035 participants (10 percent) into employment out of the planned goal of 79,511 participants. Of the 96,658 participants who were to be trained, 26,142 or 27 percent had completed training. Grantees have also expressed concerns that the expected green jobs have not materialized and that job placements have been fewer than expected for this point in the grant program. While ETA stated it expects performance to significantly increase following an initial lag during the standard start-up phase of the grants, the OIG remains concerned that the low placement rate makes it unlikely the program will meet its goal of placing nearly 80,000 workers in green jobs by 2013.

Meeting Increased Demand for Services – The performance of the Department's employment and training programs is impacted by the nation's economic conditions. The downturn of the economy has placed additional pressures on the workforce system as more workers are in need of its services. Meeting this increase in demand, while continuing to provide intensive services, such as career counseling and case management, are critical to helping workers find new jobs quickly.

Coordinating with Other Service Providers – The Government Accountability Office (GAO) recently issued a report addressing fragmentation, overlap, and potential duplication in Federal employment and training programs. ETA is challenged to address the collocation issues that GAO presented, specifically the collocating of the U.S. Department of Health and Human Services' (HHS) Temporary Assistance for Needy Families (TANF) and DOL's Employment Service and WIA programs. These challenges include how to serve additional clients given the limited capacity of One-Stop Centers and potential lease restrictions, how to navigate philosophical differences among programs and address the multiple needs of TANF clients in the one-stop center setting, how to ensure that services are geographically accessible, whether the potential benefits of collocating TANF in One-Stop Centers outweigh the potential costs of no longer collocating these services with other services for low-income families, and whether, and to what extent, TANF will contribute to one-stop center operating costs.

DEPARTMENT'S PROGRESS:

In September 2010, ETA executed a contract for the services of 14 staff for 12 months to assist with grant management activities for Recovery Act grants. These staff performed duties such as monitoring, audit resolution, and reporting under Section 1512 of the Recovery Act.

ETA and the Department have taken steps to improve the way research is conducted, and ETA has reported that it has taken several actions to address GAO's recommendations. The Department recently established the Chief Evaluation Office to oversee department-wide research and evaluation efforts, and ETA stated it is formally incorporating the routine involvement of the Chief Evaluation Officer into its research process. ETA also reported it has begun involving outside experts in developing its research plan and it has made improvements to its Web-based database for disseminating research and evaluation findings, including development of strategies to support broader and more innovative marketing efforts for disseminating research and evaluation reports.

ETA has made design changes to the WIA Gold Standard Evaluation of the Adult and Dislocated Worker programs. ETA expects to receive the first evaluation report (on implementation) during the winter of 2012-2013 and the final report in 2015. Through this evaluation, ETA intends to measure the net impact of specific interventions, such as

the incremental effects of the intensive and training services provided to adults and dislocated workers. The multi-year WIA Gold Standard is funded on an annual basis and is contingent on the availability of appropriated funding.

ETA completed and began field testing a draft data validation supplement to the Core Monitoring Guide used by its Federal project officers. The supplement includes a detailed appendix, or "Resource and Tool Guide," for use by Federal project officers. The appendix provides a step-by-step reference guide that provides the basis of training specific to data validation overall. ETA also indicated that data validation has been included in staff performance standards as one of the field activities required of Federal project officers.

To meet the increased demand for services and improve coordination with other service providers, ETA indicated that states in one region were able to utilize Recovery Act TANF funds to expand services by providing subsidized employment activities. In two states, TANF has continued to contribute post-Recovery Act funds to support summer youth employment and/or work experience programs. In collaboration with HHS, ETA issued a joint letter to encourage partnerships between workforce and human services agencies and utilized waivers to expand summer employment opportunities.

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

WHAT REMAINS TO BE DONE:

ETA should closely monitor its WIA grants and address any disconnects between the training being provided and employment demands. Further, ETA needs to pursue legislative authority in the WIA reauthorization to develop performance measures for training outcomes, require SWAs to report training costs and funding sources at the participant level so stakeholders have adequate information to make return-on-investment decisions for WIA services, develop and provide guidance to SWAs and LWAs regarding the best methodology for collecting and reporting data for training-related employment, and exercise oversight over SWAs to ensure they develop and/or identify best practices to increase the percentage of exiters who find employment related to the training they receive.

ETA needs to continue its efforts to identify and prioritize workloads and funding levels to ensure Recovery Act funded green jobs grants are adequately monitored, grant funds are spent properly, and grants achieve their intended purpose. Over the next year, the OIG will focus its Recovery Act audit efforts on assessing how grantees and contractors performed and what was accomplished with Recovery Act funding.

ETA should complete the field testing of the data validation supplement, make any needed adjustments, and make the final supplement available to all ETA grantees. Once the final supplement is issued, ETA needs to determine user training needs and how best to meet those needs.

ETA should continue plans to: work with HHS to develop a joint strategy for addressing client needs in the One-Stop center setting; finalize strategies for out-stationing One-Stop staff in non-traditional facilities, such as libraries, community centers, faith-based organizations, veterans' centers and community colleges; and ensure that virtual services are increasingly utilized for accessing services.

CHALLENGE: Ensuring the Effectiveness of the Job Corps Program**OVERVIEW:**

ETA operates the Job Corps program, which provides residential education, training, and support services to approximately 60,000 students at 125 Job Corps centers. Job Corps centers are operated for DOL by private contractors, and by other Federal Agencies through interagency agreements. The program was appropriated about \$1.7 billion in FY 2011.

CHALLENGE FOR THE DEPARTMENT:

Ensuring Eligibility—The Job Corps program is intended to serve at risk, low-income youth ages 16-24. A recent OIG audit found that Job Corps' policy allowing potential students to self-certify their family income levels was not effective. We estimated that 472 (10 percent) of the 4,718 active students enrolled in the program during March 2011 were ineligible; and that \$13.8 million would be spent over time to train them. If Job Corp and outreach and recruitment contractors' controls are not strengthened and the ineligibility rate remains constant, then funds spent on ineligible students over a one-year period could total \$164.6 million.

Ensuring Health and Safety—Ensuring the quality of life at centers, including healthy living conditions and a sense of safety, is a continuing challenge for Job Corps. Past OIG audits have identified unsafe or unhealthy conditions and the lack of required safety inspections at some centers. OIG audits also found that some centers did not hold required behavior review board meetings to evaluate student misconduct and initiate disciplinary action and underreported significant incidents occurring at the centers.

Improving Performance Accountability—Ensuring that the program achieves its intended results remains a challenge for Job Corps. Job Corps measures effectiveness through a complex performance management system of 58 metrics designed to meet WIA mandates, Government Performance and Results Act requirements, and DOL priorities. Since 2006, Job Corps has spent almost \$1.5 million on consultants to improve its performance metrics and outcomes. However, a recent OIG audit found that Job Corps officials and other decision makers did not have reliable performance information to determine, for example, how effectively Job Corps placed students in jobs that matched the vocational training provided. Specifically, the OIG found that more than 3,000 reported placements either did not relate or poorly related to the vocational training provided. For example, some participants trained in office administration were placed in fast-food restaurants; others trained as nurses assistants were placed as sales persons, stock clerks or laborers in retail stores.

Improving the Integrity of Reported Performance Data—The integrity of performance data reported by center operators remains a challenge for Job Corps. Most centers are operated by contractors through performance-based contracts with incentive fees and bonuses that are tied directly to contractor performance. Under such contracts and without proper controls and strict oversight, there is a risk that contractors will overstate performance results. Past OIG audits have found that weak controls at centers have resulted in the overstatement of performance results.

Ensuring Financial Accountability—Job Corps has responsibility to ensure its center operators spend Federal funds wisely and appropriately. Job Corps center operators annually award contracts for millions of dollars of goods and services. Recent OIG audits have found that center operators were not always awarding contracts and claiming related costs in accordance with the Federal Acquisition Regulation. As a result, Job Corps cannot ensure it is getting the best value for the Federal dollars being spent.

DEPARTMENT'S PROGRESS:

Job Corps has eliminated self-certification of family income and now requires all potential students to provide income documentation, such as tax returns, paycheck stubs, or letters from employers. Also, Job Corps' automated

system no longer allows outreach and admissions service providers to enroll applicants who do not meet the low-income definition. Job Corps conducted training for its Outreach and Admissions staff, center directors, and student records personnel to provide up-to-date guidance on admissions procedures, including new requirements for determining income eligibility.

Job Corps stated it has published: several Information Notices and Program Instructions on safety issues; sent quarterly memoranda to the Regional Directors regarding major hazards identified during centers' quarterly inspections; and provided technical assistance in response to inquiries about center abatement action plans. Job Corps also reported that centers continued to provide training and support to students on issues such as conflict resolution, abuse, and student leadership. Job Corps is in the process of clarifying its behavior management policies.

In FY 2011, Job Corps released a revised Job Training Match crosswalk that aligned the program's career training pathways with O*Net-Standard Occupational Classification codes maintained by ETA's Office of Workforce Investment. Job Corps stated it has also implemented a quality check that will require placement counselors to verify their selection of potentially inappropriate codes as a Job Training Match.

Job Corps has also instituted a data integrity assessment system. According to Job Corps, these assessments provide a mechanism for Regional Office staff to identify and report on specific instances of improperly reported data as well as management practices that could potentially affect data integrity. To date, Job Corps stated that it has contracted for 128 data integrity assessments for student leave, career technical training, and GED/high school diploma attainment.

WHAT REMAINS TO BE DONE:

Job Corps needs to provide proactive, consistent, and rigorous oversight of contractors at all centers. Job Corps should closely monitor outreach and admissions service providers' compliance with its new policy requiring documentation of income eligibility by all incoming students. In the area of performance accountability, Job Corps needs to improve the transparency and reliability of its performance metrics, especially the job training match, so internal and external stakeholders can make informed decisions regarding the program's performance and costs. Job Corps has indicated it plans to improve its monitoring of service providers and it will be publishing additional performance data on the program's website. In addition, Job Corps needs to take actions to ensure centers provide a safe and conducive learning environment while supporting student success and program retention. Finally, ETA's Office of Contract Management, which manages all procurement and contract activities for Job Corps, must ensure that center operators and other service providers comply with procurement and contracting regulations and requirements.

CHALLENGE: Safeguarding Unemployment Insurance

OVERVIEW:

ETA partners with the states to administer unemployment insurance (UI) programs. State UI provides benefits to workers who are unemployed and meet the eligibility requirements established by their respective states. UI benefits are largely financed through employer taxes imposed by the states and deposited in the Unemployment Trust Fund (UTF) from which the states pay the benefits. The states administer these programs under an agreement with DOL in accordance with their state laws and regulations. ETA funds State Workforce Agencies (SWAs) who administer the UI program through grant agreements. These grant agreements are intended to ensure that SWAs efficiently administer the UI program and comply with Federal laws and regulations.

CHALLENGE FOR THE DEPARTMENT:

Over the past three years, payments to UI recipients have grown to unprecedented levels, paying nearly \$318 billion to unemployed workers. This rapid, large growth, especially in the Federally-funded portion, has increased the risk of improper payments. According to GAO, the rate of improper payments in the UI program was the third largest of any benefits program in FY 2010. DOL estimates that nearly \$32 billion of improper payments occurred over the past three years. DOL estimates that \$17.2 billion may be collectable, which includes more than \$10.3 billion in state-funded benefits and \$6.9 billion in Federally-funded programs.

Reducing Improper Payments – ETA is challenged to reduce the rate of improper payments in the UI program. Executive Order 13520 and the Improper Payments Elimination and Recovery Act of 2010 have placed even greater emphasis on taking steps to reduce these improper payments. However, the weak economy has continued to make controlling UI overpayments difficult, as the number of claims filed continues at elevated levels. According to ETA officials, states responded to the heavy workload by shifting resources from detecting improper payments to processing claims. For 2010, DOL reported improper payments totaling \$17.5 billion, an increase from the \$12.3 billion reported for 2009. The improper payment rate also increased from 10.3 percent in 2009 to 11.2 percent in 2010. Indeed, because reducing improper payments is so critical, the target rate of 9.9 percent in 2010 was reduced to 9.8 percent in 2011.

In addition, OIG investigations continue to uncover fraud committed by individual UI recipients who do not report or underreport earnings, as well as fictitious employer schemes. ETA estimates that about \$3.7 billion of overpayments resulted from willful misrepresentation by claimants – a fraud overpayment rate of 2.37 percent of total UI benefits paid in FY 2010.

A recent OIG audit found that ETA lacks effective controls over the detection of improper payments for both the UI state and Federal programs, leaving both programs, but especially the Federally funded programs, vulnerable. Therefore, ETA's reporting on how well improper payments were detected significantly overstated performance results. This occurred because ETA lacked controls over the three key elements of the improper payment process: estimating improper payments; validating actual improper payment amounts; and monitoring how well states did in detecting improper payments. In monitoring only state-funded programs, ETA reported that the UI program met its program requirements (50 percent) by detecting more than 52 percent of recoverable improper payments. However, for the Federally-funded programs, the actual rate of detection was only about 19 percent, or about \$1.3 billion detected versus about \$6.9 billion estimated recoverable improper payments, leaving \$5.6 billion undetected.

OIG investigations also continue to uncover fraud committed by individual UI recipients who do not report or underreport earnings, as well as fictitious employer schemes. In addition, recent investigations have confirmed criminal schemes involving employers who knowingly employ undocumented or improperly documented foreign workers for whom they intentionally fail to make the required unemployment insurance contributions.

DEPARTMENT'S PROGRESS:

In March 2010, the Department implemented the State Information Data Exchange System (SIDES), which enables communication and transmission of UI separation information requests from UI agencies to multi-state employers and third-party administrators (TPAs). To date, five states (Utah, Colorado, Georgia, Ohio, and New Jersey) have implemented SIDES. Fifteen other states have joined the consortium and are preparing to implement SIDES. The Department's supplemental funding opportunity for FY 2011 included incentives for the original states to implement SIDES faster, while providing funds for new states to implement SIDES. As a result, ETA believes that 21 states will be fully implemented by March 31, 2012, and 21 new states will be implemented by September 30, 2012, increasing the numbers of states using SIDES from 5 to 42.

In April 2011, the Department targeted 10 states with the highest improper payments due to a claimant's failure to register with the state's Employment Service or job bank in accordance with the state's UI law. Through the

implementation of technology and/or other solutions, these states have seen a 23 percent reduction in improper payments due to claimants' failure to register with the Employment Service.

DOL pursued the passage of the Claims Resolution Act of 2010 which was signed into law in December 2010. The Act includes provisions to expand the Treasury Offset Program (TOP) to recover more UI overpayments. The Department has worked with the U.S. Department of the Treasury's Financial Management Service to facilitate state implementation of TOP for the recovery of UI debts. As of June 29, 2011, over \$25 million had been recovered by NY, WI, and MI through the use of TOP. Through the Department's FY 2011 supplemental funding opportunity, an additional 25 states will receive funding to implement TOP.

The Department supported the convening of state cross-functional task forces that will focus on addressing the root causes of overpayments that have the highest impacts in the states, and developed a new web site that displays state-by-state performance and progress in addressing UI improper payments. The Department is also working to develop new performance measures for states which initially will target reducing improper payments when claimants continue to claim benefits after returning to work by 30 percent the first year, and a total of 50 percent after two years. The Department is pursuing the development of a claimant and employer messaging campaign to be implemented by the states to improve claimants' and employers' understanding of their responsibilities when collecting UI payments or responding to requests for information.

DOL also mandated that by December 31, 2011, all states must use the National Directory of New Hires (NDNH) for benefit payment control. California, which accounts for the largest amount of UI improper payments, is the only state still not using NDNH.

WHAT REMAINS TO BE DONE:

ETA can further improve its oversight of the states' detection and prevention of UI overpayments by fully implementing SIDES, and increasing the frequency of SWA on-site reviews. ETA must ensure California has implemented NDNH by December 31, 2011. ETA continues to pursue legislation to allow States to use up to 5 percent of recovered UI overpayments to detect and deter benefit overpayments. The legislation would also require employers to report former workers they rehire to the NDNH after a separation of at least 60 days; and continuing to promote States' use of a variety of other databases (e.g., Social Security, Department of Corrections) to prevent and detect improper UI benefit payments. ETA also needs to provide additional, detailed information on its efforts to reduce improper payments in its next Report on UI Improper Payments.

CHALLENGE: Improving the Management of Workers' Compensation Programs

OVERVIEW:

The Department's Office of Workers' Compensation Programs manages the Government's workers' compensation programs, including the Federal Employees' Compensation Act (FECA) Program and the Energy Employees Occupational Illness Compensation Act Program (Energy workers' program).

The FECA Program provides wage-loss compensation and pays medical expenses for covered Federal civilian and certain other employees who incur work-related occupational injuries or illnesses as well as survivors benefits for a covered employee's employment-related death. DOL reports that the cost of Federal workplace injuries, when measured by FECA compensation costs for wage-loss, is nearly \$3 billion and two million lost production days annually.

The Energy workers' program was created to provide monetary compensation and medical benefits to civilian employees who incurred an occupational illness, such as cancer, as a result of their exposure to radiation or other toxic substances while employed in the nuclear weapons and testing programs of the U.S. Department of Energy

and its predecessor agencies. In certain circumstances, these employees' survivors may be eligible for compensation. Since the program began in 2001, DOL reports it has paid more than \$7 billion in compensation and medical benefits to more than 85,000 claimants nationwide.

CHALLENGE FOR THE DEPARTMENT:

Preventing FECA Fraud and Improper Payments – The FECA program must be responsive and timely to eligible claimants while ensuring it makes proper payments. The challenges facing the FECA program include moving claimants off the periodic rolls when they can return to work or when their eligibility ceases, preventing ineligible recipients from receiving benefits, and preventing fraud by service providers and by individuals who receive FECA benefits while working. OIG's recent audit of FECA improper payments found that OWCP did not always take timely action to terminate benefits when notified of FECA claimants' deaths. Additionally, OWCP had not designed effective procedures to ensure that benefit payments were reduced for FECA claimants who were collecting SSA retirement benefits. OIG investigations continue to identify fraud committed by claimants and medical providers. In FY 2011, FECA claimant investigations alone resulted in \$10,690,040 in OIG investigative monetary accomplishments. While it is difficult to identify and address improper payments and fraud in the FECA program, OWCP must measure its efforts and progress in improving payment accuracy and reducing fraud.

Timely Processing of Claims Filed by Energy Workers – Processing of energy workers' claims continues to take too long, particularly given the advanced age and serious illnesses of those typically filing for benefits. The Energy workers compensation program, though administered by OWCP, requires the pre-adjudication input, assistance, and determinations of three other major Federal agencies and a Federal advisory board. Complex requirements in the authorizing legislation and the difficulty of locating employment and other records, as well as the inability of sick, often aging, claimants to fully understand their rights and responsibilities, contribute to the lengthy decision process. Furthermore, the National Institute for Occupational Safety and Health (NIOSH), which is an agency within the U.S. Department of Health and Human Services, must prepare a complicated and time consuming dose reconstruction of the amount of radiation to which an employee was exposed. As indicated on OWCP's website, for cases decided in 2010, it took about 200 days for a final decision to be reached for cases not sent to NIOSH and more than 2½ years for cases sent to NIOSH. While processing times have come down since 2006, they remain at or above 2004 processing times. OWCP is hampered in its efforts to reduce processing times, as it has no authority over the completion time of the NIOSH process.

DEPARTMENT'S PROGRESS:

The Department reported that OWCP will run the death match with the Social Security Administration weekly and will improve procedures to ensure timely termination of benefits upon the death of a claimant. Additional training on improper payments will be provided to claims examiners by the end of calendar year 2011.

The Department reported that the average number of days for OWCP to process an initial energy workers claim decreased from 164 days in FY 2008 to 97 days in FY 2010 for Part B benefits (covering workers diagnosed with illnesses caused by exposure to radiation, beryllium, or silica), and from 283 days in FY 2008 to 125 days in FY 2010 for Part E benefits (covering employees of DOE contractors or subcontractors, or their survivors, who develop an illness due to exposure to toxic substances). While these reported processing time reductions do not include the time claims spent at NIOSH, OWCP is establishing a baseline in FY 2011 to set performance targets for the average days between the date a claim is filed and a final decision is issued. The new performance metrics will distinguish between cases that involve NIOSH review and those that do not.

WHAT REMAINS TO BE DONE:

As we have previously reported, OWCP does not have the legal authority to match FECA compensation recipients against Social Security wage records. OWCP must obtain written permission each time from each individual claimant in order to check SSA records to determine if a claimant has returned to work. Having direct authority to perform the match would enable OWCP to reduce improper payments by identifying individuals who are collecting

FECA benefits while working and collecting wages or Federal retirement benefits. In addition to obtaining access to SSA wage records, OWCP needs to continue to seek legislative reforms to the FECA program to enhance incentives for recovered employees to return to work, address retirement equity issues, discourage unsubstantiated or otherwise unnecessary claims, and make other benefit and administrative improvements. Through the enactment of these proposals, OWCP estimates savings to the government over 10 years to be \$550 million. OWCP also needs to improve its methodology for determining the amount of FECA improper payments, and establish a strategy and performance measures for preventing and detecting such payments.

While OWCP has reduced processing times in the Energy workers' program for initial case processing and for completing final decisions once a claim reaches final adjudication, overall claims processing times remain long. OWCP needs to continue to work with the other Federal agencies involved in the adjudication process to issue final decisions in a matter of months, rather than years.

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

OVERVIEW:

The Department's Foreign Labor Certification (FLC) programs are administered by the ETA. These programs are intended to provide U.S. employers access to foreign labor to meet worker shortages as long as U.S. workers are not adversely affected. *The H-1B visa specialty workers' program requires employers that intend to employ foreign specialty occupation workers on a temporary basis to file labor condition applications with ETA stating that appropriate wage rates will be paid and that workplace guidelines will be followed. The H-2B program establishes a means for U.S. nonagricultural employers to bring foreign workers into the United States to meet temporary worker shortages. The Permanent FLC program allows an employer to hire a foreign worker to work permanently in the United States.* Employers are required to pay foreign workers a required wage, which in most cases, is the prevailing wage in that occupation so wages of similarly employed U.S. workers will not be adversely affected. Employers are also required to comply with all laws governing such employment.

CHALLENGE FOR THE DEPARTMENT:

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

ETA faces challenges in maintaining the integrity of its H-1B and H-2B FLC programs. The H-1B challenges include statutory limits on its authority, making system improvements in its H-1B Labor Condition Application processing system to better identify incomplete and/or obviously inaccurate applications, and uncertainty regarding the process for including individuals or entities debarred under the Department's FLC programs on the government-wide excluded parties lists. The present H-2B worker protections are based on a model where employers merely assert, but do not demonstrate, that they have performed an adequate test of the U.S. labor market before hiring foreign workers in lieu of U.S. workers. An OIG report issued in October 2011 found that DOL regulations had hampered ETA's ability to provide adequate protections for U.S. workers in the H-2B applications filed by four Oregon forestry employers. Although 187 U.S. workers were contacted by the employers regarding possible employment, none were hired. Instead, 323 foreign workers were brought into the country for these jobs. The OIG also found that certain SWAs did not fulfill their responsibilities for the H-2B applications we reviewed. Furthermore, the OIG found that ETA could improve its initial application reviews, post-adjudication processes, and

monitoring activities to better protect the interests of U.S. workers under the regulations by which the program currently operates.

The OIG also found that the SWAs it reviewed were not transmitting posted job orders to other states or referring U.S. workers to employers, as they are required to do. Also, a September 2010 GAO report highlighted examples of H-2B employers and recruiters submitting fraudulent documentation to DOL. Specifically, GAO identified employers and recruiters who misclassified employee duties on labor certification applications to pay lower than prevailing wages, or preferentially hired H-2B employees over American workers in violation of Federal law.

DEPARTMENT'S PROGRESS:

ETA's Fraud Detection and Prevention Unit continues to work closely with the OIG to identify and reduce fraud in the FLC process by reviewing applications for inconsistencies, errors, and omissions. ETA has revised the rule for determining prevailing wage rates and proposed new rules governing the H-2B process. The major features of the new proposed rules include: creating a national electronic job registry for all H-2B job orders; increasing the amount of time for which U.S. workers must be recruited; requiring employers to engage in post-filing recruitment of U.S. workers; creating an H-2B registration process in which employers must demonstrate temporary need before applying for a labor certification; reinstating the critical role of the SWAs in assisting employers by using their expertise on local labor market conditions and recruitment patterns, and strengthening debarment authorities by providing Wage and Hour Division (WHD) with independent debarment authorities, and providing revocation authority to ETA.

To address the H-1B challenges, ETA has entered into a contract with a third-party vendor for employer verification services. Through this service, ETA indicates that it will have access to a more comprehensive employer identification database and verification system. This service will be applied to all FLC. In addition, ETA is working with the Department's Chief Acquisition Officer on ways to include foreign labor certification suspensions and debarments on the government-wide excluded parties list.

Finally, ETA is piloting a new risk management model in its Permanent Labor Certification Program (PERM). According to ETA, this new risk management model allows ETA to assign risk ratings to individuals applying to its PERM program and spend the appropriate amount of time reviewing the higher risk applications and reducing overall reviewing timeframes. ETA officials also stated that the new model will eventually be applied to the rest of the FLC programs.

WHAT REMAINS TO BE DONE:

The Department needs to evaluate the results of its certification processes, as well as reexamine existing processes, to assess their effectiveness. Furthermore, the Department needs to enhance its monitoring of the H-2B application process to ensure that SWAs and employers are fully complying with program requirements and intentions and make adjustments to enhance integrity of its employer verification services by fully implementing its electronic employer verification controls to the H-1B program and the remaining FLC programs. The Department should ensure that suspensions and debarments are considered and decisions documented for anyone convicted of FLC violations. It also needs to ensure the FLC debarments are reported to appropriate DOL personnel for inclusion in the government-wide exclusion system.

CHALLENGE: Ensuring the Security of Employee Benefit Plan Assets

OVERVIEW:

The mission of the Department's Employee Benefits Security Administration (EBSA) is to protect the security of retirement, health, and other private-sector employer-sponsored benefits for America's workers, retirees, and their families. Benefits under EBSA's jurisdiction consist of approximately \$6.5 trillion in assets covering approximately

150 million participants and beneficiaries. EBSA is charged with overseeing the administration and enforcement of the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA).

EBSA oversees benefit security for an estimated 718,000 private retirement plans, 2.6 million health plans, and similar numbers of other welfare benefit plans, such as those providing life or disability insurance.

CHALLENGE FOR THE DEPARTMENT:

Multiple Challenges Stem from Implementing the Patient Protection and Affordable Care Act (PPACA)—The broad changes mandated by the PPACA require EBSA to issue new health plan regulations. A recent OIG audit found EBSA to be challenged to address the more than 1,900 public comments it has received on its rule making, and to incorporate these new regulations effectively into its enforcement program. These new and extensive health care requirements will pose major challenges for the Department through at least 2014, when all provisions of the PPACA are to be implemented.

Uncertainty About the Impact of EBSA Enforcement Programs—OIG audits have found that EBSA could not determine whether its civil enforcement projects, such as the Multiple Employer Welfare Arrangements project and the Rapid ERISA Action Team (REACT) project, were increasing compliance with ERISA, or whether the projects were decreasing the risk of workers losing benefits. While EBSA uses a variety of quantitative indicators to evaluate its individual civil enforcement projects, such as monetary results, staff days expended per case, and the number of civil cases converted to criminal cases (i.e., outputs), none of these indicators measure external events or conditions (i.e., outcomes). As a result, EBSA cannot ensure that it is effectively directing resources among its regional offices or to the enforcement areas where resources will do the most good.

Limited Authority to Oversee Plan Audits—Despite the importance of audits of employee benefit plans, EBSA does not have the authority to suspend, debar, or levy civil penalties against employee benefit plan auditors who perform substandard audits. In addition, ERISA allows plan administrators to exclude investments held by certain regulated institutions, such as banks and insurance companies, from the scope of a plan audit, resulting in the auditor's disclaimer of opinion on the financial statements, which seriously impairs the usefulness of the audit in protecting employee benefit plan assets.

DEPARTMENT'S PROGRESS:

EBSA has taken significant actions toward the implementation of the PPACA requirements through issuing regulations and sub-regulatory guidance, conducting research studies and surveys, and providing compliance assistance and outreach. To date, EBSA has issued interim-final regulations on: Coverage of Preventive Services, Preexisting Conditions Exclusions, Rescissions, Annual and Lifetime Limits, Patient Protections, Extension of Coverage for Adult Children, Grandfathered Health Plans, and Internal Claims and Appeals and External Review. For research studies and surveys, EBSA has reported on: Self-Insured Group Health Plans, Large Group Market, and Selected Benefits covered by employer and multiemployer plans. An additional study regarding the use of incentives in group health plan wellness programs is currently in progress. Additionally, EBSA has conducted numerous compliance assistance seminars, workshops and webcasts on the PPACA requirements. EBSA stated that starting in FY 2012, it added PPACA enforcement as a component part of its new national enforcement initiative, the Health Benefits Security Project. Through this project, EBSA plans to investigate a large number of health plans. EBSA has stated it plans to address public rulemaking comments when the interim final regulations are finalized.

As an initial step in developing performance metrics to measure the effectiveness of its enforcement program, EBSA implemented a broad Sample Investigation Program (SIP) in FY 2011, which reviewed randomly selected employee benefit plans for compliance with ERISA. Interim compliance data will be reported in FY 2012, and the first baseline compliance measure will be available in FY 2013.

The Department has previously sought legislative changes, such as expanding the authority of EBSA to address substandard benefit plan audits, and ensuring that auditors with poor records are not allowed to continue performing plan audits. These changes have not been enacted by Congress. In addition, the Department has unsuccessfully sought recommended legislative changes to either eliminate or modify the limited-scope audit exception to strengthen the protections afforded plan participants and beneficiaries.

WHAT REMAINS TO BE DONE:

In addition to issuing additional regulations under the PPACA, further action is needed to resolve potential challenges that may affect implementation and compliance with the statutory requirements. To ensure that affected parties can fully implement and comply with the PPACA requirements, EBSA should work with the Departments of Health and Human Services (HHS) and Treasury (who share joint jurisdiction over the Health Care Reform Act market reform regulations), and the Office of Management and Budget (OMB) to establish specific timetables to respond to public comments and issue final regulations. EBSA needs to proceed with a rulemaking to implement Section 6604 of the PPACA. Section 6604 is designed to prevent fraudulent multiple employer welfare arrangements from escaping liability for their actions under state law by claiming that state law enforcement is preempted by Federal law. EBSA needs to incorporate PPACA requirements into its enforcement program to assist plans in complying with PPACA. EBSA also needs to provide HHS with the results of a survey of benefits typically covered by employers that is sufficiently broad to enable HHS to determine benefits provided under a typical employer plan.

EBSA should complete its evaluation of the results of SIP to determine what changes are needed to improve program effectiveness. EBSA should also continue working to obtain legislative change to address deficient benefit plan audits and to ensure that auditors with poor records do not perform any additional plan audits.

CHALLENGE: Securing Information Technology Systems and Protecting Related Information Assets
OVERVIEW:

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

Providing assurances that IT systems will function reliably and safeguard information assets, especially in the face of new security threats, IT developments, and telework requirements, will challenge Federal agencies for many years. The Administration's goal of expanding the use of technology to create and maintain an open and transparent government has added to the challenge of keeping information secure.

CHALLENGE FOR THE DEPARTMENT:

Ongoing IT Security Concerns—Safeguarding information assets is a continuing challenge for Federal agencies, including DOL. The Administration's goal of expanding the use of technology to create and maintain an open and transparent government, while safeguarding systems and protecting sensitive information, has added to the challenge. OIG IT audits over the past several years have identified access controls and oversight of third-party (contractor) systems, as areas most challenging to the Department. Strong access controls are necessary to secure important, confidential, or sensitive information and equipment; however, during its FY 2010 audit testing OIG was able to gain unauthorized system administrative access to one of the Department's major information management systems. OIG also tested five contractor systems and discovered security problems in all five. In a report issued in March 2011, OIG found that approximately 50 percent of the IT assets recorded in the Department's property management system could not be physically located, and approximately 14 percent of IT assets observed during testing were not recorded in the system. Furthermore, Department security officials could not determine whether sensitive data such as personally identifiable information (PII) existed on 377 sensitive IT assets that had been reported lost, missing, or stolen. The Department could not determine whether these items—which included laptops, desktops, printers, and a server—represented a potential information security breach.

New Challenges Posed by Emerging Technologies— The security of sensitive information that can be accessed remotely (e.g., via telework), stored on mobile computers/device, or any form of data being accessed and used outside of DOL office settings is a continuing challenge to the Department and the Federal government overall. With employees' increased use of telework and reliance on new ways of communicating such as blogging, Facebook, and Twitter, the Department is challenged to evolve and adapt its information security controls to keep pace with the risks posed by these new technologies. Consolidating data centers and moving mission critical systems to the cloud increases the risk of exposing PII and unauthorized information exchanges, including sensitive pre-decisional budget and policy information.

DEPARTMENT'S PROGRESS:

The Department is developing an Identity Access Management system that will require users to access DOL IT systems by using Personal Identity Verification cards with a phased implementation approach that was set to begin in October 2011. The Department has restructured/recreated the Enterprise Implementation Committee (EIC) to replace its management review board. The EIC is composed of senior-level business executives from the Department's agencies and offices. The EIC's mission is to ensure that all initiatives affecting information technology (IT) infrastructure, common services and customer service programs that have cross-agency impacts are implemented to provide effective support for the Department's business mission and operations. Additionally, the Department established the IT Acquisition Review Board to oversee and manage IT acquisitions. The Department is also planning to consolidate its data centers and systems. Transition to the cloud computing environment has begun with systems such as Disability.gov and the New Core Financial Management System (NCFMS or New Core). The Department is in the process of implementing by the end of FY 2012 a continuous monitoring solution. The Department is also in the process of implementing the Trusted Internet Connection program to protect external communications to and from the Internet. The Department is continuing to participate on several Federal Councils, Committees and Forums to assist in the development and implementation of policies, procedures, and standards that will address these challenges.

WHAT REMAINS TO BE DONE:

In light of these challenges, the OIG continues to recommend the creation of an independent Chief Information Officer (CIO) to provide exclusive oversight of all issues affecting the IT capabilities of the Department. DOL currently manage its IT systems with a CIO who must balance IT with other competing responsibilities; the CIO presently also serves as the Chief Acquisition Officer, Chief Human Capital Officer, Privacy Officer, and Assistant Secretary of Administration and Management.

The Department must also improve upon its security controls testing and evaluation process by performing agency-specific customized testing to focus on program agencies' high-risk vulnerabilities and control weaknesses. The Department should ensure that it has a consolidated, viable inventory management system that is properly updated. As the telework program expands, the Department needs to implement additional security controls that will protect data being accessed and used outside of DOL office settings.

CHALLENGE: Ensuring the Successful Development and Implementation of Major Information Management Systems

OVERVIEW:

The Congress and the Office of Management and Budget (OMB) have raised concerns that Federal information technology (IT) investments, especially high-risk, major system developments, have experienced schedule delays and cost overruns costing billions of dollars. The Administration has called upon Federal agencies to strengthen oversight of major IT investments through greater IT investment portfolio and project management. The Clinger-Cohen Act requires agency heads to designate Chief Information Officers to lead reforms to help control system

development risks, better manage technology spending, and achieve real, measurable improvements in agency performance through better management of IT resources.

DOL reported IT development, modernization and enhancement efforts totaling about \$35 million in FY 2011. These efforts include the Foreign Labor Certification Automated Systems, MSHA Standardized Information System, and BLS Industrial Prices Systems. For FY 2012, DOL has planned IT development, modernization and enhancement efforts totaling almost \$53 million, such as the Human Resources Shared Service Center investment, IT Infrastructure Modernization, and MSHA Mine Safety Information System.

CHALLENGE FOR THE DEPARTMENT:

DOL executives and project managers will face challenges in managing system developments and other related technology initiatives to accomplish them on time and within budget, and to ensure these initiatives function as designed. The areas most likely to cause delays or budget overruns include: project vision/goals poorly defined; lack of accountability/ownership; unrealistic deadlines; poor communication of expectations; resource deprivation/competition; scope changes; uncertain dependencies; not understanding/defining project risk; and lack of stakeholder/user engagement throughout the project life cycle. These challenges are made more difficult by the inherent nature of major IT system developments, which typically occur over multiple years and are subject to changes in policy, priorities and funding.

Problems in any one of the above areas can negatively impact a project. For example, the Department reported it spent \$35 million between 2003 and 2008 in a failed effort to replace its legacy financial system. The Department then awarded a \$15 million contract for the development and implementation of New Core, which was scheduled to be fully operational by October 14, 2009. However, the Department had to postpone the deployment of the new system until January 14, 2010, to provide additional time to train users and continue data migration activities. Upon implementation, New Core experienced numerous problems, including: an underestimated user base; users' lack of understanding of the substantial changes to business processes; and data quality problems. Notably, the Department experienced significant turnover amongst its senior financial managers during most of the system's implementation and post-launch phases. To avoid similar problems in its future IT initiatives, the Department should: fully understand and develop system requirements before beginning the procurement process; ensure that interfaces with other key Departmental systems are built and tested prior to implementation; ensure that users are properly trained; and establish strict project management oversight responsibility.

DEPARTMENT'S PROGRESS:

The Department is in the process of assessing the New Core initiative for lessons learned to incorporate into future projects. DOL will note what worked well at key decision points, as well as what factors contributed to problems at other key decision points.

The Department has created the Enterprise Implementation Committee (EIC) composed of senior-level business executives from the DOL's agencies and offices. The EIC's mission is to ensure that all initiatives affecting IT infrastructure, including common services and customer service programs that have cross-agency impacts, are implemented to provide effective support for the Department's business mission and operations. The Department has implemented a new IT governance structure that it believes will strengthen the role and participation of core IT governance committees and ensure that the right people are engaged in the right conversations on an ongoing basis. Additionally, the Department established the IT Acquisition Review Board to oversee and manage IT acquisitions, and will be using new methods designed for more immediate feedback related to monitoring IT initiatives' progress and to bring about corrective actions, where necessary.

WHAT REMAINS TO BE DONE:

DOL IT initiatives in 2011 and beyond will need direct executive involvement and highly-skilled-project managers to be successful, on-time and within budget. As detailed in the top management challenge related to IT security, the

Department needs to establish an independent CIO to provide exclusive oversight of all issues affecting DOL's IT capabilities.

Achieving anticipated success will require analyzing setbacks and failures in order to improve. Project managers should be highly trained, and executives should focus on past project's challenges to learn from them in order to develop a stronger IT investment and project management capability.

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

OVERVIEW:

The Department's Veterans' Employment and Training Service (VETS) programs are intended to provide veterans and transitioning service members the resources and services to succeed in the workforce by maximizing their employment opportunities, protecting their employment rights, and meeting labor market demands with qualified veterans.

CHALLENGE FOR THE DEPARTMENT:

Providing meaningful employment and training services to military members transitioning to civilian employment is a continuing challenge for the Department, particularly in light of rising unemployment rates among veterans. According to the Bureau of Labor Statistics, veterans' unemployment rate has risen from 11.5 percent in June 2010 to 13.3 percent in June 2011. In 2010, young male veterans, ages 18 to 24, who served during the Gulf War II era, including those who served at any time since September 2001, had an unemployment rate of 21.9 percent. According to the Department of Veterans Affairs (VA), with the scheduled troop draw-downs in Iraq and Afghanistan, more than one million active service members will be re-entering the civilian work force in the next five years.

The VETS' Transition Assistance Program (TAP) provides a two-and-a-half-day session in which participants learn job search techniques, career decision-making processes, current occupational and labor market conditions, resume-writing, and interviewing techniques. A recent OIG audit of TAP found VETS did not ensure that participants received the employment assistance needed to obtain meaningful employment. VETS also did not use measurable performance goals and outcomes to evaluate program effectiveness and lacked adequate contracting oversight for TAP workshop services. These deficiencies undermined VETS' ability to ensure it was providing a high-quality program that helps veterans successfully transition from military to civilian employment.

VETS issues grants to SWAs to assist veterans to gain and retain employment, with a special emphasis on providing intensive services to meet the employment needs of disabled veterans. Our audit of these services in Texas found staff needed to do a better job of accurately assessing veterans' needs and documenting intensive service activities, particularly for homeless veterans and veterans with disabilities.

Reducing homelessness among veterans is another challenge for VETS. The Homeless Veterans' Reintegration Program (HVRP) was the first nationwide Federal program focused on placing homeless veterans into jobs. The program provided employment and training services to an estimated 23,500 homeless veterans in FY 2010. However, a recent OIG audit found that performance results fell short of the planned goal of placing 9,093 veterans into employment by 2,461 veterans, or 27 percent.

DEPARTMENT PROGRESS:

VETS is undertaking a redesign of the TAP workshop. This redesign involves providing a more customized workshop by assessing each individual's readiness for employment before they attend the workshop. Other elements of the redesign include updating the content of the workshop for the first time in 19 years, using contractors as workshop facilitators, developing an online TAP workshop that will be available in Spanish, providing follow-up services, and

implementing performance metrics to evaluate program effectiveness. In conjunction with the Department's Office of Procurement Services, VETS reported it has implemented more stringent management controls for contract administration.

VETS issued guidance that HVRP grantees awarded grants in Program Years 2009 and 2010 are to meet 90 percent of planned cumulative quarterly goals for Federal expenditures, enrollments, and placements into employment and training by the end of the second quarter. Grantees that do not achieve at least 75 percent of their planned cumulative quarterly goals must submit a corrective action plan. VETS also issued guidance to regional staff directing that if an eligible grantee for a second or third year award has missed its performance and/or financial goals, a corrective action plan must be initiated before recommending a second or third year funding.

VETS is coordinating with the National Veterans Training Institute to improve intensive service training for Disabled Veterans Outreach specialists. VETS also provided additional funding to the State of Texas to establish an online case management system to document intensive services to veterans.

WHAT REMAINS TO BE DONE:

VETS needs to establish standard forms and policy for monitoring TAP Employment Workshops, establish outcome goals, establish a new TAP Memorandum of Understanding with partner agencies, and follow up to ensure staff are complying with the newly implemented management controls for contract administration.

For HVRP, VETS needs to ensure that grantees are making adequate progress towards achieving their goals, and VETS staff is closely monitoring grantees' reported accomplishments and taking appropriate corrective action when needed.

VETS also needs to ensure that funds given to Texas for the implementation of an on-line management system were used properly and system outcomes meet design expectations. Further, VETS needs to provide rigorous oversight over contractors, grantees and state agencies for all programs.

CHALLENGE: Improving Procurement Integrity

OVERVIEW:

The Department contracts for many goods and services to assist in carrying out its mission. In FY 2010, DOL awarded 3,804 contracts totaling \$468 million and issued 4,422 modifications to existing contracts totaling \$1.6 billion.

CHALLENGE FOR THE DEPARTMENT:

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

The current control environment surrounding the Department's procurement activities has introduced both financial and operational risk to the Department. The lack of standard operating procedures and procurement-related training leaves the consistency and quality of DOL's procurement functions heavily dependent on the various program agencies with delegated procurement authority.

Recent OIG audits of the Departments' procurement activities have identified numerous deficiencies in procurement: MSHA could not support sole-source awards, did not promote full and open competition, or

maximize small business opportunities; the Los Angeles Job Corps Center did not comply with the Federal Acquisition Regulation for subcontracts it awarded; the Office of the Assistant Secretary for Administration and Management (OASAM) awarded a Job Corps' contract using Recovery Act funds that was not based on merit and two modifications for projects not eligible for Recovery Act funding; VETS management did not ensure contract services were properly authorized by the contracting officer or that supporting documentation was maintained for contract payments; and VETS did not conduct appropriate cost comparisons when awarding funds under its TAP to ensure the best value to the Government.

A recent OIG investigation into allegations of improper procurement activities within VETS found a pattern of conduct which reflected a consistent disregard of Federal procurement rules and regulations, Federal ethics principles and proper stewardship of appropriated dollars. Specifically, the investigation revealed the circumvention of rules and regulations related to open competition and advisory and assistance contracts, as well as the acceptance of free services.

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

DEPARTMENT'S PROGRESS:

OASAM reported that it has issued 34 certifications to contracting officers and 127 certifications to contracting officers' technical representatives that have completed Federal acquisition certification training. MSHA implemented OIG recommendations to ensure procurement officials comply with DOL policy and procedures, require supervisory review of contracts, provide refresher training to personnel, and develop and implement controls to assure the SOL completes pre-award reviews of selected contracts. OASAM has de-obligated Recovery Act funds inappropriately awarded for Job Corps. VETS has implemented improved contracting controls over the request for changes to the delivery schedule of TAP workshops to prevent contracting officer's technical representatives from making unauthorized changes to task orders.

OASAM is currently updating its internal policies and procedures to clarify provisions related to acquisition planning, conflict of interest, and the administration of the Department's Procurement Review Board. OASAM completed a Procurement Management Review of VETS and is scheduled to complete a review of ETA during the first quarter of FY 2012. The Department is pursuing Federal Acquisition Certification in Contracting (FAC-C) and Federal Acquisition Certification for Contracting Officer's Technical Representative (FAC-COTR) for the acquisition workforce.

In response to the Office of Inspector General's investigative report on VETS improper procurement activities, OASAM is instituting contractual provisions and certification requirements designed to prevent re-occurrence of such activities. In addition, OASAM and the Office of the Solicitor will conduct procurement integrity and ethics training for Department's Senior Executive and Acquisition Workforce Staffs. A key aspect of the training will be ensuring that program and contracting office procurement staff know how and when to elevate procurement violation concerns. Lastly, OASAM will be conducting procurement accountability reviews of program agencies to assess the adequacy of their staff to prepare acquisition materials for submission to their servicing contracting offices and to preclude potential ethical violations.

WHAT REMAINS TO BE DONE:

The Department needs to develop standard and consistent internal controls and compliance frameworks for component agencies with procurement authority to follow to ensure the consistency and quality of DOL's

procurement functions. In addition, while the Department is taking positive actions to improve procurement integrity, it has yet to appoint a CAO whose primary duty is acquisition management.

Changes from Last Year

Changes to the Top Management Challenges from FY 2010 include the addition of a challenge on ensuring the effectiveness of Veterans' Employment and Training Programs. A previous challenge related to the implementation of the Departments NCFMS was expanded into a challenge on ensuring the successful development and implementation of major information management systems. In addition, a challenge regarding improving procurement integrity has been reintroduced, given our concerns over the consistency and quality of the Departments procurement functions.

Achieving the goals and protecting the investment provided by the American Recovery and Reinvestment Act was previously discussed in our FY 2010 Top Management Challenges. Our concerns focused on large amounts of funds that remained unspent and contract/grant awards that may not have been in the government's best interest. Through September 30, 2011, the Department reported that it had obligated \$63.1 billion, or 99.5 percent, of the \$63.4 billion in discretionary and mandatory funds made available through the Recovery Act, and all Recovery Act contract and grant competitions had been concluded. As a result, we have removed the Recovery Act as a separate issue in FY 2011 Top Management Challenges. However, we will continue to report on the Department's use of Recovery Act funds as part of its overall grant management responsibilities. We will also conduct appropriate follow up work to ensure unemployment benefit payments funded by the Recovery Act were proper, and adequate efforts were made to identify and recover overpayments.

NOVEMBER 2012, DOL OIG, "TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF LABOR: ENSURING THE EFFECTIVENESS OF THE JOB CORPS PROGRAM"

Top Management Challenges (Issued November 16, 2012)

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

2012 Top Management Challenges Facing the Department of Labor

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

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

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

CHALLENGE: Protecting the Safety and Health of Workers

OVERVIEW

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

CHALLENGE FOR THE DEPARTMENT

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

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

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

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

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

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

CHALLENGE: Protecting the Safety and Health of Miners

OVERVIEW

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

CHALLENGE FOR THE DEPARTMENT

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

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

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

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

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

CHALLENGE: Improving Performance Accountability of Workforce Investment Act Grants**OVERVIEW**

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

CHALLENGE FOR THE DEPARTMENT

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

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

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

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

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

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

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

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

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

CHALLENGE: Ensuring the Effectiveness of the Job Corps Program

OVERVIEW

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

CHALLENGE FOR THE DEPARTMENT

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

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

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

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

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

CHALLENGE: Reducing Improper Payments**OVERVIEW**

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

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

CHALLENGE FOR THE DEPARTMENT

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

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

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

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

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

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

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

OVERVIEW

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

CHALLENGE FOR THE DEPARTMENT

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

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

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

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

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

CHALLENGE: Ensuring the Security of Employee Benefit Plan Assets**OVERVIEW**

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

CHALLENGE FOR THE DEPARTMENT

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

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

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

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

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

CHALLENGE: Securing Information Technology Systems and Protecting Related Information Assets**OVERVIEW**

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

CHALLENGE FOR THE DEPARTMENT

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

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

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

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

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

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

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

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

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

OVERVIEW

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

CHALLENGE FOR THE DEPARTMENT

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

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

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

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

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

CHALLENGE: Improving Procurement Integrity

OVERVIEW

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

CHALLENGE FOR THE DEPARTMENT

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

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

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

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

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

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

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

Changes from Last Year

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

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

NOVEMBER 2013, DOL OIG, “TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF LABOR: ENSURING THE EFFECTIVENESS OF THE JOB CORPS PROGRAM”

2013 Top Management Challenges Facing the Department of Labor

For 2013, the OIG considers the following as the most serious management and performance challenges facing the Department:

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

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

CHALLENGE: Protecting the Safety and Health of Workers

OVERVIEW

The Occupational Safety and Health Administration (OSHA) was established by the Occupational Safety and Health Act of 1970. OSHA's mission is to assure, so far as possible, that every working man and woman has safe and healthy working conditions. OSHA ensures the safety and health of more than 130 million workers at over 8 million establishments by setting and enforcing workplace safety and health standards; providing training, outreach, and education; and encouraging continuous improvement in workplace safety and health. Combined with its state partners OSHA has approximately 2,200 inspectors – which translates to about one inspector for every 59,000 workers.

CHALLENGE FOR THE DEPARTMENT

U.S. workplace fatalities have fallen steadily since OSHA was established in 1970. Most recently, for instance, from 2011 to 2012, the fatal injury rate fell from 3.5 to 3.2 deaths per 100,000 full-time equivalent workers. However, with more than eight million entities under its oversight, OSHA is challenged in assuring that employers abate workplace safety and health hazards. To that end, since it can only reach a fraction of the entities it regulates, OSHA must target its compliance activities to those areas where it can have the greatest impact. OSHA also faces challenges in measuring the impact of its policies and programs, and those of the 21 states authorized by OSHA to operate their own safety and health programs, on reported declines in workplace injuries, illnesses, and deaths

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

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

OSHA established a workgroup in FY 2012 with state representatives and developed effectiveness measures for state-operated safety and health programs. OSHA formally revised the State Activity Mandated Measures in FY 2013 and introduced 10 new measures, one of which is intended to help OSHA determine the effectiveness of State Plan inspection targeting. OSHA has also implemented a number of industry-specific National and Local Emphasis programs targeting areas such as Chemical Process Safety, Grain Facilities, and Nursing Homes, among others.

Moreover, OSHA is working on establishing regular processes for evaluating the success of its enforcement strategies. In this regard, the Department initiated a multi-year study of OSHA's Site Specific Targeting (SST) program to assess the impact of the program interventions on future employer compliance. The study is scheduled to be completed by September 2014.

OSHA is also currently working to develop program evaluation systems to ensure that its programs are being run effectively and efficiently. Specifically, OSHA has committed resources to determine the effectiveness of some of its more complex and resource-intensive investigations, such as fatality and catastrophe investigations by implementing an inspection weighting system. Additionally, OSHA has begun the rulemaking process to improve the tracking of occupational injuries and illnesses by expanding OSHA's legal authority to collect and make available injury and illness information.

OSHA still needs to ensure it includes the highest risk worksites in SST program targeting, and prioritize and complete inspections of the highest risk worksites. OSHA also needs to move forward with its plans to test and evaluate the inspection weighting system intended to improve OSHA's ability to target its resources.

CHALLENGE: Protecting the Safety and Health of Miners**OVERVIEW**

The Federal Mine Safety and Health Act of 1977, as amended, charges the Mine Safety and Health Administration (MSHA) with protecting the health and safety of more than 387,000 miners who work at over 14,000 mines nationwide.

CHALLENGE FOR THE DEPARTMENT

MSHA continues to be challenged in effectively managing its resources to meet statutory mine inspection requirements while successfully administering other enforcement responsibilities designed to help ensure miners are afforded all protections so they can safely return home at the end of each work day. While MSHA has made progress in this area, it must continue its efforts to instill a culture of mine safety and prevention of accidents to protect the rights of miners to report workplace safety and health concerns. Our recent audit of MSHA's actions in response to two review reports that reviewed MSHA's actions preceding the deadly explosion at the Upper Big Branch Mine found MSHA had made significant progress in implementing the reports' recommendations, but needs to build a process into its internal review framework to rank and prioritize recommendations, and to continue to work on those recommendations that did not have anticipated completion dates to ensure they are being diligently pursued.

MSHA also remains challenged in maintaining a cadre of experienced, diverse and properly trained enforcement staff to meet its statutory enforcement obligations. This challenge will soon be exacerbated by retirements, with 39 percent of MSHA's health and safety personnel eligible to retire by 2017. This is a particularly pressing issue given that it takes nearly two years to train new mine

inspectors. Moreover, with seventy-eight percent of MSHA's top leadership becoming eligible for retirement by 2017, MSHA is challenged to develop future leaders in order to avoid leadership gaps in future years.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

Fatality and injury rates were at an all-time low in FY 2011 and FY 2012 and this trend has continued in FY 2013. Other notable achievements included historic low levels of respirable dust – which results in black lung – at underground coal mines and an 18 percent drop in violations. However, mining remains an inherently dangerous industry with too many injuries and fatalities. To reduce those numbers, MSHA took a number of actions in FY 2013, including: making significant progress implementing recommendations from reviews conducted following the Upper Big Branch mine accident; improving its process for reviewing, approving and overseeing coal mine roof control plans; publishing an updated Accountability Program Handbook that addresses OIG recommendations made as a result of recent reviews; promulgating the final Coal Mine Examination Rule which requires underground coal mine operators to find and fix conditions consistent with the "Rules to Live By" standards. MSHA also published its final Pattern of Violations rule that implemented several of the OIG's recommendations. Other actions taken by MSHA include diversified education efforts and increased outreach to both miners and representatives of miners on rights provided by the Mine Act.

MSHA should continue to closely monitor its efforts to implement the recommendations made by the Upper Big Branch internal review. For the 100 recommendations resulting from the internal review, MSHA reports it has completed corrective actions for 68; 32 are still in process. MSHA has also taken several actions to address the 4 recommendations made by an Independent Assessment Panel and needs to complete other actions it has outlined. For coal mine roof control plans, MSHA needs to finalize its new Coal Mine Roof Control Plan Approval Procedures Handbook, which it anticipates will be completed by December 31, 2013. MSHA also needs to continue to follow up on all of its revised policy guidance to ensure the policy is being implemented as intended and is achieving the desired results.

With respect to succession planning, MSHA continues to identify and hire mine inspector candidates within authorized personnel levels. MSHA has also developed a draft succession plan and is engaged in succession planning activities. MSHA needs to continue its efforts to finalize a succession plan that will help MSHA maintain strong leadership and diversity into its workforce into the future, while staying focused on its primary mission to protect the safety and health of miners.

CHALLENGE: Improving Performance Accountability of Workforce Investment Act Grants

OVERVIEW

In Fiscal Year 2013, the Department's Employment and Training Administration (ETA) was appropriated \$2.6 billion for grants to States for Workforce Investment Act (WIA) Adult, Dislocated Worker, and Youth programs. The WIA Adult formula program provides employment and training services through formula grants to states and territories. ETA also awards grants to states to provide reemployment services and retraining assistance to individuals dislocated from their employment. Youth programs are funded through grant awards that support program activities and services to prepare low-income youth for academic and employment success, including summer jobs. In addition to the grants to States and territories for WIA Adult, Dislocated Worker and Youth, ETA also administers competitive grants to service providers to design and operate programs for disadvantaged, often unemployed persons.

CHALLENGE FOR THE DEPARTMENT

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

For example, a 2011 OIG audit of the WIA Adult and Dislocated Worker program found that 37 percent of program participants either did not obtain employment or their employment was unrelated to the training that they received. OIG projected that the amount of funds paid for this training outcome totaled approximately \$124 million. Similarly, our October 2012 audit of the \$500 million Recovery Act Green Jobs program designed to train those most affected by the recession for jobs in "green" industries found that almost half of the training provided consisted of 1-5 days of instruction, that 92 percent of "credentials" received for participating in the training were merely certificates of completion, and that there were significant disparities in the participant job retention goals proposed by grantees and approved by ETA. Most recently, our December 2012 audit of discretionary grant closeouts found that grantees often failed to meet one or more of the goals in their grant agreement, yet ETA certified their performance as acceptable. A finding common in many of our audits has been the significant problem in obtaining accurate, reliable, and detailed performance data from grantees, which makes it more difficult for the Department to measure program success.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

ETA recently awarded 26 Workforce Innovation Fund grants with the goal of evaluating strategies for delivering services more efficiently, achieving better outcomes, and facilitating cooperation across programs and funding streams. ETA has indicated that it will capture promising practices and lessons learned and share them with the broader workforce system. In addition to this type of program evaluation, ETA should continue to closely monitor WIA grants and address the disconnections between the training provided and the realities of the job market. To that end, ETA should consider using Labor Market Information tools and provide technical assistance to grantees. ETA also needs to develop criteria for determining acceptable performance in its grant programs and implement a process that captures grantee performance results for use in future grant-making decisions.

ETA expects to receive the first evaluation report (on implementation) from the WIA Gold Standard Evaluation during the Fall of 2013, the first impact report in 2015 and the final report in 2016. Through this evaluation, ETA intends to measure the net impact of specific interventions, such as the incremental effects of the intensive and training services provided to adults and dislocated workers. The multi-year WIA Gold Standard is funded on an annual basis and is contingent on the availability of appropriated funding. In response to our audit of the Green Jobs program, ETA has taken a number of corrective actions, such as creating a Performance Reporting Workgroup that will identify recommendations for specific steps that ETA can take to clarify grantee data collection and reporting expectations, and developing and releasing its Enhanced Desk Monitoring Review tool.

ETA and the Department have identified the reauthorization of WIA as a legislative priority and have specified several goals that the Department believes should be a focus of the reauthorization process. Among those goals is improving accountability by updating the performance measures used by WIA programs. The OIG considers these initiatives to be of importance. In particular, we recommend that

ETA give maximum priority to developing processes to ensure grant agreements delineate clear, concise and measurable objectives that can be used to measure the success of grant performance, and that those programs or strategies that are successful are disseminated to the workforce investment system for replication.

CHALLENGE: Ensuring the Effectiveness of the Job Corps Program

OVERVIEW

The Employment and Training Administration's (ETA) Job Corps program provides residential and nonresidential education, training, and support services to approximately 60,000 disadvantaged, at-risk youths, ages 16-24, at 125 Job Corps centers nationwide. The goal of this \$1.6 billion program is to offer an intensive intervention to this targeted population as a means to help them turn their lives around and prevent a life-time of unemployment, underemployment, dependence on social programs, or criminal behavior.

CHALLENGE FOR THE DEPARTMENT

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

Our audits have also demonstrated the challenge faced by the Department in obtaining and documenting desired program outcomes. ETA oversight of its centers did not adequately ensure academic and career technical training programs met performance goals and maximized student achievements. Specifically, under-performing programs were not identified for increased oversight and center assessments and performance improvement plans were not used effectively to improve performance. Additionally, most centers are operated by contractors through performance-based contracts with incentive fees and bonuses which are tied directly to contractor performance. Absent strict oversight, there is a risk that contractors will overstate performance results and maintain disruptive students on site. We have also documented problems with ETA's reporting of job training matches.

Most recently, budgeting missteps and poor financial planning, management, and oversight forced Job Corps to reprogram \$26.2 million in June 2012 to cover its Program Year 2011 (July 1, 2011 – June 30, 2012) operating costs and impose a 3-month enrollment freeze in early 2013 to avoid a projected \$61.5 million budget overrun for Program Year 2012 (July 1, 2012 – June 30, 2013). Our audit of Job Corps' funds and expenditures found the Department did not have a sound budget or spending plan for the Job Corps program or have a process in place to accurately project spending needs. If not adequately addressed, these financial management control weaknesses could result in further budget overruns and possibly future moratoriums on student enrollments. In addition, we have documented significant problems with centers being unable to ensure that major procurements are properly competed to ensure best value to the program and the taxpayers.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

Job Corps is continuing its efforts to improve the quality of program services and achieve better outcomes for the students it serves. These efforts include implementing a standards-based system of teaching and learning, identifying and replicating the practices of high-performing centers as well as closing some chronically low-performing centers. Job Corps also plans to increase its oversight of under-performing training programs by improving its monitoring, and by using performance improvement plans, center assessments, and other oversight activities more effectively.

To improve its reported performance data, Job Corps has updated its Job Training Match Crosswalk to align with the revised DOL O*NET-Standard Occupational Classification database, which characterizes all jobs in the U.S. labor market.

To avoid the financial difficulties it experienced in PY 2011 and PY 2012, the Department has refined Job Corps' processes for planning, requirements determination, budgeting, procurement and evaluation in order to enhance internal controls. This effort is intended to establish a more defined process for all aspects of financial and contractual activity well in advance of the start of a program year and allow for more rapid response to Job Corps budget changes. A key aspect will be the formalization of significantly enhanced communications among offices and leadership within ETA and the Department. Specifically, the Department established a new Office of Financial Administration within ETA and implemented a new management oversight process that includes the Office of the Chief Financial Officer, the Office of the Assistant Secretary for Administration and Management, and the Office of the Solicitor. The Department also adopted a new budgeting approach to adjust the number of students enrolled with the funding available in Job Corps' appropriation. Additional training has been provided to staff members who monitor Job Corps' contracts to improve their skills and enable them to provide better oversight. While these changes should help the agency to actively oversee the program and its expenses, Job Corps will need to be vigilant in its oversight to promptly identify and address potential problems.

ETA's Office of Contracts Management (OCM) recently inspected the contracting purchasing systems for many Job Corps center operators. In instances where there was an inadequate purchasing program, the cognizant Contracting Officer withdrew the approved purchasing plans. These center operators must now have each purchase (subcontract) approved by the responsible Contracting Officer.

OIG continues to recommend that Job Corps provide rigorous oversight of contractors at all centers to: ensure they provide a safe environment that is conducive to learning; improve the transparency and reliability of performance metrics and outcomes; and ensure that center operators and other service providers comply with applicable procurement requirements.

CHALLENGE: Reducing Improper Payments**OVERVIEW**

The Unemployment Insurance (UI), the Workforce Investment Act (WIA) and the Federal Employees Compensation Act (FECA) programs are at risk of making significant improper payments. For example, for FY 2013, the Department reported improper payments totaling approximately \$7.68 billion for the UI program alone. Outlays for the UI program decreased in FY 2013 to an estimated \$66.7 billion, compared with \$90.19 billion in FY 2012. This decrease reflects the decline in the number of new claims, the drop in Federally-funded emergency and additional benefits, and the efforts of DOL and the state workforce agencies to reduce improper payments. The 2013 UI improper payment rate is 9.32 percent for the reporting period July 2012 to June 2013, which is below the 10 percent target

established by the Improper Payments Elimination and Recovery Act of 2010 but slightly above the 9.23 percent target rate identified by the Office of Management and Budget (OMB). However, in 2013 the Department, in conjunction with OMB, made a change in the way it computes the improper payment rate by subtracting overpayments recovered from total estimated overpayments. The true UI improper payment rate without netting out subsequent recoveries actually increased from 10.78 percent for the 2012 reporting period to 11.46 percent in 2013.

The leading cause of UI overpayments is claimants who have returned to work and continue to claim UI benefits, and OIG investigations continue to uncover fraud committed by individual UI recipients who do not report or underreport earnings, as well as fraud related to fictitious employer schemes.

CHALLENGE FOR THE DEPARTMENT

The Department's ability to identify and reduce the rate of improper payments in the UI, FECA and WIA programs continues to be a challenge for the Department. Notably, OMB has designated the Unemployment Insurance (UI) and Workforce Investment Act (WIA) programs as being particularly at risk for improper payments. Our audits have found that the Department lacked effective controls to ensure states are properly measuring improper payments and identifying and recovering overpayments for both the UI state and Federal programs.

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

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

The Department continues to work with states to implement a number of strategies to improve the prevention, detection and recovery of UI improper payments. Among numerous other initiatives, the Department has launched a website that clearly identifies each state's estimated UI improper payment rate and payments over a 3-year period, as well as each state's progress in implementing the identified improper payment strategies. The Department has also undertaken the "Improper Payment High Priority States" initiative to reduce the UI improper payment rate in those states with unacceptably high levels over a prolonged period. In addition, the Department established a UI Integrity Center of Excellence to develop, implement, and promote innovative program integrity strategies to reduce improper payments, including the prevention and detection of fraud, in the UI program. However, the Department needs to employ cost benefit and return on investment analyses to evaluate the impact of those improper payment reduction strategies. The Department can further improve oversight of the states' detection and prevention of UI overpayments by increasing the frequency of on-site reviews at State Workforce Agencies. In addition, the Department needs to continue pursuing legislation to allow States to use a percentage of recovered UI overpayments to detect and deter benefit overpayments.

With respect to improper payments in the FECA program, the Department developed a methodology for estimating the FECA improper payment rate and plans to implement it for FY 2014. In the WIA program, the Department has attempted to identify the full extent of improper payments by including estimates from other sources, but it should continue to consider other sampling methods in order to provide a more complete estimate of improper payments. Further, the Department needs to provide full

disclosure in the Agency Financial Report regarding the limitations of the data used to estimate WIA overpayments.

CHALLENGE: Ensuring the Security of Employee Benefit Plan Assets

OVERVIEW

The mission of the Department's Employee Benefits Security Administration (EBSA) is to protect the security of retirement, health, and other private-sector employer-sponsored benefit plans for America's workers, retirees, and their families. EBSA is responsible for administering and enforcing the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA). The agency is charged with protecting about 141 million workers, retirees and their families who are covered by nearly 684,000 private retirement plans, 2.4 million health plans, and similar numbers of other welfare benefit plans which together hold estimated assets of \$7.6 trillion.

CHALLENGES FOR THE DEPARTMENT

EBSA's limited authority and resources present challenges in achieving its mission of administering and enforcing ERISA requirements protecting approximately 141 million participants and beneficiaries. An important part of EBSA's mission is to deter and correct violations of ERISA through a strong enforcement program to ensure workers receive promised benefits. Given the number of plans that the agency oversees relative to the number of investigators, EBSA has to focus its available resources on investigations that it believes will most likely result in the deterrence, detection, and correction of ERISA violations. In order to do so, EBSA must determine which of its enforcement initiatives are the most effective. EBSA has begun trying to quantify its results by using programs such as the Sample Investigation Program (SIP), which attempts to measure the effectiveness of enforcement initiatives.

Among EBSA's challenges over the past couple of decades has been the fact that billions in pension assets held in otherwise regulated entities, such as banks, escape audit scrutiny. Because ERISA authorizes these institutions to obtain so-called "limited scope audits," presumably because they are being audited by other entities for other purposes, the independent public accountants that conduct their audits express "no opinion" on the financial statements of the assets they hold on behalf of plans. These concerns were renewed and heightened by recent audit findings that as much as \$3.3 trillion in pension assets received these types of limited scope audits, providing no assurances to participants as to the financial health of their plans. EBSA is further challenged by the many changes that have taken place in the employee benefit plan community since ERISA was enacted in 1974, such as the shift from defined benefit retirement plans to defined contribution retirement plans, as well as the large increase in the types and complexity of investment products available to pension plans. For example, our September 2013 audit of EBSA's oversight of employee benefit plans that hold alternative investments totaling almost \$3 trillion found that EBSA needs to do more to ensure plan Administrator properly identify and value hard-to-value investments.

EBSA is also responsible for oversight of health coverage provided by employers through the administration and enforcement of Title I of ERISA. EBSA oversees approximately 2.4 million employer-sponsored health plans covering approximately 150 million participants and beneficiaries. EBSA, in conjunction with the Department of Treasury and the Department of Health and Human Services, has worked to implement the Patient Protection and Affordable Care Act (PPACA). Beginning in FY 2014, key provisions of PPACA will come into effect, and EBSA will be challenged to ensure plan sponsors and their benefit plans comply with the new law.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

As an initial step in developing performance metrics to measure the effectiveness of its enforcement program, EBSA implemented a broad Sample Investigation Program (SIP) in FY 2011. Now in its third year, the SIP is designed to measure overall compliance with ERISA and the impact of ERISA investigations on compliance rates. In addition, data collected by the SIP will be used to evaluate the effectiveness of EBSA's enforcement targeting strategies, as well as the impact of investigations on plan compliance. EBSA processed 273 SIP cases in 2013, and will implement a baseline compliance measure for 2014.

EBSA should continue to work to obtain legislative changes to repeal the limited scope audit exception, obtain additional authority over plan auditors to address deficient benefit plan audits, and ensure that auditors with poor records do not continue to perform substandard plan audits. In the interim, EBSA should use existing authority to clarify and strengthen limited scope audit regulations and evaluate the ERISA Council's recommendations on the issue. Finally, to mitigate potential challenges that may affect implementation and compliance with PPACA requirements, EBSA will need to take further action in its rulemaking, enforcement, reporting on benefits typically covered by employers, and Multiple Employer Welfare Arrangements (MEWA) regulations. These actions would help improve transparency to the public; provide additional compliance assistance to employers, plans and insurers; and help strengthen enforcement over MEWAs.

CHALLENGE: Securing and Protecting Information Management Systems**OVERVIEW**

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

CHALLENGE FOR THE DEPARTMENT

Safeguarding data and information systems is a continuing challenge for all Federal agencies, including DOL. Recent OIG audits have identified deficiencies in configuration management, account management, vulnerability management, as well as security and access controls weaknesses in key departmental financial and support systems. These deficiencies can pose an increased risk to the security of data and information maintained in DOL systems.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

The Department has made progress in establishing risk mitigation as a priority via its Risk Management program. The Office of the Chief Information Officer (OCIO) established Priority Security Performance Metrics and began measuring agency progress on achieving these metrics resulting in the remediation and closure of 93% of prior year findings.

The Department has also begun an IT modernization program. As part of DOL's IT modernization, users will eventually access their network accounts by logging on to their desktops and/or laptop computers using their PIV card. The IT Modernization program also includes consolidating the Department's nine IT infrastructures in an effort to create a more unified and scalable IT service organization. In addition, DOL has acquired an enterprise IT system monitoring tool to assist in configuration management, vulnerability assessment, and accounting for the inventory of electronic devices connecting to each IT system.

To improve upon identity management and security issues, DOL needs to continue to reduce its IT footprint by completing its data center consolidation efforts and reducing the number of external connections. Furthermore, while the migration of email to the cloud was delayed and is now scheduled for implementation later this year, the Department must take steps to ensure that DOL systems and data will be secure in the cloud computing environment prior to implementation. To enhance security, reduce identity fraud, and protect personal privacy, DOL also needs to ensure its PIV card workstation logon process is fully implemented throughout the Department. Most importantly, a greater presence in IT system security is needed at the Executive Level; continuing current Risk Management and Continuous Monitoring Program processes will assist in that effort as Executives become integral to the discussion and understanding of their IT security risks and control weaknesses, including setting mitigation priorities.

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

OVERVIEW

The Veterans' Employment and Training Service (VETS) provides assistance to veterans and transitioning service members by protecting their employment and reemployment rights through investigation and resolution of claims from protected individuals. VETS also assists veterans in obtaining and maintaining civilian employment through its Jobs for Veterans State Grants (JVSG) Program. JVSG supports two principal staff positions in the Workforce System: Disabled Veterans Outreach Program (DVOP) specialists and Local Veterans Employment Representatives (LVERs). DVOP specialists provide intensive services to meet the employment needs of disabled and other eligible veterans, with an emphasis on serving those who are economically or educationally disadvantaged, including homeless veterans. LVERs conduct outreach to employers and engage in advocacy efforts to increase employment opportunities for veterans. Another VETS' program, the Transition Assistance Program (TAP), provides a three day employment workshop to separating service members and their spouses at military installations worldwide.

CHALLENGE FOR THE DEPARTMENT

VETS estimates that the U.S. military discharges about 270,000 service members annually. VETS is refocusing its efforts to ensure veterans who have significant barriers to employment are served by the DVOP program, while all other veterans will be served on a priority basis in DOL's Wagner-Peyser and Workforce Investment Act programs. These programs will be challenged to meet the employment needs of this expected influx of veterans. For VETS specifically, the Department projects that approximately 90 percent of future JVSG participants will require intensive services, such as career planning and counseling, skill assessment, referral to training and support services, and post-transition follow-up, to overcome significant barriers to employment. VETS continues to be challenged to meet this increased demand for intensive services; our prior audit work has found that JVSG staff needed to do a better job of accurately assessing veterans' needs and documenting intensive service activities.

We have also found that VETS did not use measurable performance goals and outcomes to evaluate program effectiveness and lacked adequate contracting oversight for TAP workshop services. These deficiencies undermined VETS's ability to ensure that it was providing a high-quality program which helped veterans successfully transition from military to civilian employment.

DEPARTMENT'S PROGRESS AND WHAT REMAINS TO BE DONE

In a joint effort with the Department's Employment and Training Administration, VETS has launched the Veteran Gold Card program. The Veteran Gold Card provides post-9/11 veterans with extra support as they transition out of the military. Once a veteran has downloaded the Veteran Gold Card, he or she can access six months of personalized case management, assessments and counseling at the roughly 3,000 American Job Centers located across the country.

Over the past year, VETS has started working with State Workforce Agencies to convert LVERs to DVOPs in response to the increased demand for intensive services. VETS has also directed states to provide more oversight of DVOP services to ensure that veterans with significant barriers to employment are getting the assistance they need. In addition, VETS has requested an increase of 500 DVOPs in FY 2014. When combined with the conversions of LVERs to DVOPs already underway, VETS believes this will significantly increase the workforce focused directly on providing intensive services for those veterans with significant barriers to employment and should have a positive impact on employment outcomes for this population. VETS stated that it is developing clarifying guidance for distribution to State Workforce Agencies about the JVSG program, as well as a training program that will address JVSG expectations. The training is expected to be available in February 2014. VETS needs to closely monitor the program to ensure states can demonstrate that the DVOP program is operating as intended. VETS must also evaluate the effectiveness of the DVOP program and use evaluation results to modify and improve it.

VETS also completed a major effort to redesign the TAP employment workshop curriculum in January 2013. Unlike previous years, TAP is now mandatory for all separating service members and all workshops worldwide are being led by professional facilitators. The new workshop is designed to provide relevant, up-to-date content with a focus on experiential learning, best practices in career transition, and emphasis on networking and communicating the veteran's value to the hiring manager. VETS has developed and implemented outcome measures for FY 2014 to assess the effectiveness of the TAP workshops, and stated it is working with the Department of Defense and the Department of Veteran Affairs to explore new data sharing possibilities and ways to monitor veteran employment outcomes.

CHANGES FROM LAST YEAR:

Changes from the FY 2012 Top Management Challenges report include the deletion of the challenges pertaining to Foreign Labor Certification programs and procurement integrity. Although we still consider these challenges to be significant issues for the Department, we believe they no longer pose the greatest threat to the Department in meeting its mission to workers, retirees, beneficiaries and taxpayers. We will continue to conduct audit and investigative work and report the Department's challenges in these program areas in our "Significant Concerns" section of the OIG's Semiannual Report to the Congress.

NOVEMBER 2014, DOL OIG, “TOP MANAGEMENT AND PERFORMANCE CHALLENGES
FACING THE U.S. DEPARTMENT OF LABOR: ENSURING THE SAFETY OF STUDENTS
AND STAFF AT JOB CORPS CENTERS”

Top Management Challenges Facing the Department of Labor
November 2014

As of November 2014, the OIG considers the following as the most serious management challenges facing the Department:

- Protecting the Safety and Health of Workers
- Ensuring the Safety of Students and Staff at Job Corps Centers
- Helping Unemployed Adults, Youth and Veterans Obtain Skills, Training, and Services That Result in Training-Related Job Placements
- Protecting the Security of Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families
- Reducing Improper Payments
- Securing and Managing Information Systems

CHALLENGE: Protecting the Safety and Health of Workers

BACKGROUND

The Department administers the Occupational Safety and Health Act of 1970 (OSH Act) and the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act). DOL’s effective enforcement of these laws is critical toward ensuring the workplace safety of our nation’s workers.

The two DOL agencies primarily responsible for enforcing these laws are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). OSHA is responsible for assuring safe and healthful working conditions for 130 million workers at more than eight million establishments. MSHA is responsible for the safety and health of more than 350,000 miners who work at more than 14,500 mines.

CHALLENGE FOR THE DEPARTMENT

The Department faces challenges in determining how to best use its limited resources to help ensure the safety and health of workers, particularly in high-risk industries such as construction, forestry, fishing, agriculture, and mining.

Recent OIG audits have found that OSHA did not always effectively target and inspect the highest risk industries and worksites, primarily because it lacks outcome-based data needed to determine the effectiveness of its programs.

OSHA is also challenged to ensure the fairness, efficiency, effectiveness, and transparency of its Whistleblower Protection Program. Workers who “blow the whistle” on unsafe or unhealthy workplace practices are essential to ensuring that employers abide by worker safety and health laws.

MSHA continues to struggle to meet its statutory mine inspection requirements and other enforcement responsibilities, such as protecting the rights of miners who report workplace safety and health concerns. At MSHA, this challenge is made even more difficult by the demands of maintaining a cadre of experienced, diverse and properly trained enforcement staff. Almost 40 percent of MSHA’s health and safety personnel are eligible to retire by 2017. This is a particularly pressing issue given the nearly 2

years it takes to train new mine inspectors. MSHA is also challenged by the underreporting of occupational injuries and illnesses by mine operators. This reporting helps MSHA to focus its resources on mines that have elevated accident and injury rates.

DEPARTMENT'S PROGRESS

OSHA and MSHA are looking at ways to change the way they do business as part of their efforts to better use their limited resources. In this regard, the Department initiated a multi-year study of OSHA's Site Specific Targeting program to assess the impact of program interventions on future employer compliance. The study is scheduled to be completed by the end of calendar year 2015. Over the past 2 years, OSHA introduced 10 new performance measures for monitoring State Plans, one of which is intended to help OSHA determine the effectiveness of State Plan inspection targeting. OSHA stated it received funding for 16 new positions in its whistleblower budget for Fiscal Year 2014 and used the positions to establish whistleblower dedicated Assistant Regional Administrator positions in its regions.

MSHA stated that its efforts included enhancing its outreach and education to the mining community by focusing on the causes of recent fatalities at metal and nonmetal mines; completing corrective actions that address the recommendations from reviews conducted following the Upper Big Branch mine accident; improving its process for reviewing, approving and overseeing coal mine roof control plans; publishing an updated Accountability Program Handbook; continuing the impact inspection program; implementing the final Coal Mine Examination Rule, which requires underground coal mine operators to find and fix unsafe conditions in working areas; and implementing its Pattern of Violations rule. MSHA also stated that it has developed a succession plan for FY 2013-2017 and is implementing key strategies for leadership development such as training, mentoring, and detailing employees to developmental detail assignments. To detect and deter underreporting of accidents and injuries, MSHA reported that it conducts education, training programs, and outreach efforts to educate miners about their rights under the Mine Act. Finally, MSHA stated it is developing a strategy to address mine operator programs and practices that it believes may discourage reporting.

WHAT REMAINS TO BE DONE

OSHA's existing and new performance measures focus on activities; it needs to continue its efforts to develop metrics that reflect impact of its enforcement efforts on workplace safety and health. When its study of the Site Specific Targeting Program is completed, OSHA needs to analyze the study results and use them to improve its targeting efforts. Similarly, OSHA needs to evaluate its 10 new performance measures to identify the measures that are having a positive impact on improving worker safety and health. While OSHA has implemented timeliness measures for its Whistleblower Program, it needs to develop performance measures or indicators that focus on whether the program is working as intended and complaints are thoroughly investigated.

MSHA needs to continue taking action to improve oversight of its Management Accountability Program, strengthen its roof control plan review and monitoring process, and improve its process for investigating mine operators who knowingly fail or refuse to comply with an order issued by MSHA issues or who violate mandatory health or safety standards. MSHA also needs to enhance its knowledge of the underreporting of accidents, injuries and illnesses by mine operators and use this knowledge to finalize its strategy to address mine operator programs and practices that discourage reporting.

CHALLENGE: Ensuring the Safety of Students and Staff at Job Corps Centers

BACKGROUND

The Job Corps program provides residential and nonresidential education, training, and support services to approximately 60,000 disadvantaged, at-risk youths, ages 16-24, at 125 Job Corps centers nationwide. The goal of this \$1.6 billion program is to offer an intensive intervention to this targeted population as a means to help them turn their lives around and prevent a life-time of unemployment, underemployment, dependence on social programs, or criminal behavior.

CHALLENGE FOR THE DEPARTMENT

Improving the quality of residential life, a critical component of the Job Corps' intensive intervention experience, remains a challenge for the Department. Ensuring the safety of Job Corps' students and staff by addressing serious student misconduct (e.g., assault, illegal drugs, and theft) has been an ongoing challenge for many years. In 1995, Job Corps instituted a "zero tolerance policy" for drugs and violence. However, enforcement of the zero tolerance policy has eroded and recent OIG audits have disclosed that some centers did not take appropriate disciplinary action for serious student misconduct. Contract awards to operate Job Corps centers rely heavily on past performance in areas such as graduation rates and operating centers at or near capacity, and provide a disincentive for centers to comply with the zero tolerance policy.

The Department is also challenged in dealing with Centers' physical maintenance needs and promptly correcting center safety and health hazards. In 2013, we reported that Job Corps did not always ensure the timely repair of critical and funded maintenance deficiencies at its centers, which exposed students, staff, and visitors to potential safety and health hazards. We also identified \$32.9 million in unused maintenance funds that were expired or were approaching expiration because Job Corps had not effectively managed these funds.

DEPARTMENT'S PROGRESS

Job Corps indicated that it has recently begun to take steps to address safety issues at its centers. Job Corps stated that it instructed its regional offices to take immediate action to ensure centers are enforcing the program's zero tolerance policy. In addition, Job Corps reported that it is developing a comprehensive center safety profile intended to provide management staff with current data on significant incident reports and comments and concerns expressed by students or the public regarding center safety. Job Corps stated that regional office staff has been instructed to conduct unannounced monitoring visits to centers with a focus on high-risk or low performing centers. Job Corps also stated that it is in the process of developing a risk management assessment tool to help program managers identify centers with a higher level of programmatic risk, including factors such as safety and student conduct. In response to concerns about the underreporting of data regarding student conduct infractions and dispositions, Job Corps reported that it has conducted training on entering complete and accurate data in a timely manner into its Center Information System.

The Department is in the process of making changes to Job Corps' Policy and Requirements Handbook to ensure maintenance deficiencies are accurately identified, repaired, and executed in a timely manner, including completion of "Funded-Not-Corrected" projects within one year from issue. The Department is also developing new controls and reporting, as well as reinforcing existing controls, to track contractor expenditures against submitted spending plans.

WHAT REMAINS TO BE DONE

To provide a safe and healthful center environment for Job Corps students and staff, the Department needs to expeditiously implement the various initiatives it has recently begun to protect the safety of its students. After these initiatives have been implemented, the Department must be more vigilant in its monitoring to ensure center operators and Regional Office staff enforce Job Corps' zero tolerance policy. The Department also needs to examine whether its admissions screening process is adequately vetting the youth who apply for admission to the program.

Regarding the physical maintenance needs at Job Corps centers, the Department needs to improve its management processes to ensure maintenance deficiencies are identified, tracked, and repaired appropriately and timely, and better monitor and track the status of funds obligated for center repairs to ensure funds are used for the intended purposes.

CHALLENGE: Helping Unemployed Adults, Youth, and Veterans Obtain the Skills, Training, and Services That Result in Training-Related Job Placements**BACKGROUND**

In Fiscal Year 2014, the Department's Employment and Training Administration (ETA) was appropriated \$1.8 billion for grants to States for Workforce Investment Act Adult, Dislocated Worker, and Youth programs. ETA also operates the Job Corps program, spending \$1.6 billion dollars annually to provide residential and nonresidential education, training, and support services to approximately 60,000 disadvantaged, at-risk youths (ages 16-24), at 125 Job Corps centers nationwide.

The Veterans' Employment and Training Service (VETS) assists veterans in obtaining and maintaining civilian employment through its Jobs for Veterans State Grants Program. Administered by State Workforce Agencies, this program provides intensive services to disabled and other eligible veterans, conducts outreach to employers, and engages in advocacy efforts to increase employment opportunities for veterans.

CHALLENGE FOR THE DEPARTMENT

The Department remains challenged to ensure that its job training programs and other employment services are helping those in need to obtain suitable employment. This challenge is made even more difficult by the lack of reliable outcome data.

Relating primarily to discretionary grants, our audit work over several decades has documented the difficulties encountered by the Department in its job training programs. These problems include difficulties in obtaining quality employment and training providers, not providing active oversight of the grant making and grant execution process; and training provided by grantees that did not lead to marketable skills or industry-recognized credentials. Similarly, our work in Job Corps has found that its graduates are often placed in jobs unrelated to the vocational training they received or in jobs that required little or no training.

The Department also faces challenges in obtaining accurate and reliable data needed to measure the success of grantees, contractors, and states in meeting program goals. A 2014 Government Accountability Office report on Workforce Investment Act (WIA) training outcome data concluded that data on credential attainment and training-related employment can potentially provide more

meaningful information on the value of training services. However, collecting data on these outcomes can be resource-intensive, in part because there is no single readily available source of data.

Meeting the employment needs of veterans returning to civilian life after the recent conflicts in Iraq and Afghanistan remains a challenge for the Department. The Department estimates that about 90 percent of future participants served by its Jobs for Veterans State Grants program will require intensive services, such as career planning and assessment and referrals to job training and support services. A lack of reliable data prevents VETS from determining how well States are meeting veterans' needs by providing services that lead to good jobs.

DEPARTMENT'S PROGRESS

On July 22, 2014, the President signed the Workforce Innovation and Opportunity Act (WIOA), which replaced the Workforce Investment Act of 1998. Due to take effect in July 2015, WIOA contains provisions intended to improve accountability by updating the performance measures used by federally funded workforce training programs. For example, the Act creates a single set of common measures for adults across all core programs authorized under the bill, including both occupational training and adult education programs, and a similar set of common measures across all youth serving programs authorized under the bill. Adult measures include unsubsidized employment, median earnings, receipt of a secondary diploma or recognized postsecondary credential, measurable skills gains toward a credential or employment, and employer engagement.

ETA now expects to receive the first evaluation report on implementation from its WIA Gold Standard Evaluation, originally due in summer 2014, by March 2015, the first impact findings in October 2015, and the final impact findings in December 2016. Through this evaluation, ETA intends to measure the net impact of specific interventions, such as the incremental effects of intensive and training services provided to adults and dislocated workers. ETA also created a Performance Reporting Workgroup to identify recommendations for specific steps that ETA can take to clarify grantee data collection and reporting expectations.

As part of its ongoing efforts to improve the oversight and performance tracking of grants, ETA reported that it is working on an Enhanced Desk Monitoring Review process and recently began updating its Core Monitoring Guide. ETA also stated that it has updated all grant agreements to ensure that all performance outcome information is clearly required to be reported.

Job Corps indicated that it is continuing its efforts to improve the quality of program services and achieve better outcomes for the students it serves. These efforts include implementing a standards-based system of teaching and learning, and identifying and replicating the practices of high-performing centers. To improve its reported performance data, Job Corps stated it has updated its Job Training Match Crosswalk to align with the revised DOL O*NET-Standard Occupational Classification database, which characterizes all jobs in the U.S. labor market.

VETS reported that it has directed states to provide more oversight to ensure that veterans with significant barriers to employment are getting the assistance they need, and issued clarifying guidance about providing and documenting intensive services to veterans with significant barriers to employment. ETA is piloting the Enhanced Outreach and Employment Services for Army Unemployment Compensation for Ex-Service Members in four states. The goal of this initiative is to improve outreach, exposure to jobs, and reemployment strategies for unemployed veterans.

WHAT REMAINS TO BE DONE

The Department needs to issue regulations to implement the provisions of the WIOA. It needs to ensure that the WIA Gold Standard Evaluation experiences no additional delays and use the results of the evaluation to identify those services that are having a positive impact on participants' ability to obtain good jobs. After the Performance Reporting Workgroup has completed its efforts, the Department needs to implement the recommended actions for improving data reliability.

In Job Corps, the Department needs to increase its oversight of under-performing training programs by improving its monitoring, and by more effectively using performance improvement plans, center assessments, and other oversight activities.

The Department should continue to pursue statutory access to the National Directory of New Hires. Such access would streamline the process of obtaining earnings data needed to assess the impact of services provided by ETA, VETS and other agencies within the Department. The Department should also consider conducting a longitudinal study, similar to the WIA Gold Standard Evaluation, of the job counseling, training, and placement services for veterans provided by the Department. Such a study could provide a better understanding of the impact of the Department's services on the employment outcomes of veterans.

CHALLENGE: Protecting the Security of Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families

BACKGROUND

The mission of the Department's Employee Benefits Security Administration (EBSA) is to protect the security of retirement, health, and other private-sector employer-sponsored benefit plans for America's workers, retirees, and their families. EBSA is responsible for administering and enforcing the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA). The agency is charged with protecting about 142 million workers, retirees and their families who are covered by nearly 684,000 private retirement plans, 2.4 million health plans, and similar numbers of other welfare benefit plans which together hold estimated assets of \$7.2 trillion.

CHALLENGES FOR THE DEPARTMENT

EBSA's limited authority and resources present challenges in achieving its mission of administering and enforcing ERISA requirements protecting approximately 142 million participants and beneficiaries. An important part of EBSA's mission is to deter and correct violations of ERISA through a strong enforcement program to ensure workers receive promised benefits. Given the number of plans that the agency oversees relative to the number of investigators, EBSA has to devise ways to focus its available resources on investigations, audits and other reviews that it believes will most likely result in the deterrence, detection, and correction of ERISA violations. In order to do so, EBSA must determine which of its enforcement initiatives are the most effective.

For many years, EBSA's oversight efforts have been challenged by the fact that billions in pension assets held in otherwise regulated entities, such as banks, escape audit scrutiny. ERISA authorizes these institutions to obtain so-called "limited scope audits," presumably because they are being audited by other entities for other purposes. As a result, the independent public accountants that conduct their audits express "no opinion" on the financial statements of the assets they hold on behalf of plans. These limited scope audits weaken assurances to stakeholders and may put retirement plan assets at risk

because they provide little or no confirmation regarding the existence or value of plan assets. These concerns were renewed and heightened by recent audit findings that as much as \$3.3 trillion in pension assets received these types of limited scope audits.

EBSA is further challenged by the large increase in the types and complexity of investment products available to pension plans. In particular, since 2010, the Department has been working on the so-called "conflict of interest -- fiduciary investment advice rule." This conflict of interest rule is intended to ensure workers enrolled in retirement plans can be assured the investment advice they receive is delivered with their best interest in mind by broadening the definition of investment advice fiduciary for ERISA plans and individual retirement accounts, and by reducing the opportunities for financial conflicts of interest to compromise the impartiality of investment advice in the retirement savings marketplace.

DEPARTMENT'S PROGRESS

As an initial step in developing performance metrics to measure the effectiveness of its enforcement program, EBSA implemented a broad Sample Investigation Program (SIP) in FY 2011. Now in its fourth year, the SIP is designed to measure overall compliance with ERISA and the impact of ERISA investigations on compliance rates. In addition, EBSA stated that data collected by the SIP will be used to evaluate the effectiveness of EBSA's enforcement targeting strategies, as well as the impact of investigations on plan compliance. EBSA reported that it processed 376 SIP cases through 2013, and will continue to analyze and expand the compliance data already collected.

WHAT REMAINS TO BE DONE

EBSA needs to analyze violation trends as an additional methodology to help guide its resource allocation strategies.

EBSA should concentrate on issuing final regulations on the so-called "conflict of interest rule" and continue its work to obtain legislative changes repealing the limited-scope audit exemption. In the interim, EBSA should continue to expand upon its existing authority to clarify and strengthen limited scope audit regulations and evaluate the ERISA Council's recommendations on the issue.

CHALLENGE: Reducing Improper Payments

BACKGROUND

In its Fiscal Year (FY) 2014 Agency Financial Report, the Department estimated the Unemployment Insurance (UI) benefit program made \$5.60 billion in improper payments and identified it as susceptible to significant improper payments. The leading cause of UI overpayments is claimants who have returned to work and continue to claim UI benefits. OIG investigations continue to uncover fraud committed by individual UI recipients who do not report or underreport earnings, as well as fraud related to fictitious employer schemes.

The cluster of Workforce Investment Act (WIA) grant programs (Adult, Youth, and Dislocated Workers) and the FECA benefit program have been classified as at-risk of significant improper payments by OMB former Circular No. A-11, Section 57; however, the Department's annual risk assessments have not supported the at-risk designations.

CHALLENGE FOR THE DEPARTMENT

OMB has designated the Unemployment Insurance (UI) program as being particularly at risk for improper payments, and the Department's ability to identify and reduce UI improper payments continues to be a challenge.

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

DEPARTMENT'S PROGRESS

The Department continues to work with states to implement a number of strategies to improve the prevention, detection and recovery of UI improper payments. Among numerous other initiatives, the Department has launched a website that clearly identifies each state's estimated UI improper payment rate and payments over a 3-year period, as well as each state's progress in implementing the identified improper payment strategies. The Department has also undertaken the "Improper Payment High Priority States" initiative to reduce the UI improper payment rate in those states with unacceptably high levels over a prolonged period. In addition, the Department established a UI Integrity Center of Excellence. Over the next three years, the Center plans to develop, implement, and promote innovative program integrity strategies to reduce improper payments, including the prevention and detection of fraud, in the UI program. In addition, the Center plans to provide products to help states improve their integrity operations and offer states on-site technical assistance to identify operational changes for improving program integrity.

With respect to improper payments in the FECA program, in FY 2014 the Department implemented a new, OMB-approved methodology for estimating the FECA improper payment rate and will report the FECA improper payment rate on an annual basis. In addition, OWCP stated that it is developing a Program Integrity Unit with auditors and data analysts to provide greater oversight and analysis of payment accuracy. OWCP has also contracted with a data analytics firm to build agency capacity in this area.

In the WIA programs, the Department stated that it has attempted to identify the full extent of improper payments by including estimates from other sources.

WHAT REMAINS TO BE DONE

The Department needs to employ cost benefit and return on investment analyses to evaluate the impact of its improper payment reduction strategies for UI. The Department can further improve oversight of the states' detection and prevention of UI overpayments by increasing the frequency of on-site reviews at State Workforce Agencies. In addition, the Department needs to continue pursuing legislation to allow states to use a percentage of recovered UI overpayments to detect and deter benefit overpayments.

The Department also needs to assess the validity of the FECA overpayment estimates resulting from its new estimation methodology and make adjustments as needed for future estimates.

Finally, the Department needs to continue working with OMB to properly classify the individual grant programs authorized under the newly enacted Workforce Innovations and Opportunities Act. Since data are not readily available to allow the Department to develop a statistically valid improper payments estimate by directly sampling grant payments, the Department needs to consider other sampling methods. Further, the Department needs to provide full disclosure in the Agency Financial Report regarding the limitations of the data used to estimate WIA overpayments.

CHALLENGE: Securing and Managing Information Systems

BACKGROUND

More than 50 of the Department of Labor's major information systems contain sensitive information that is central to its mission and to the effective administration of its programs. DOL systems are used to analyze and house the nation's leading economic indicators, such as the unemployment rate and the Consumer Price Index. They also maintain critical data related to the Department's financial activities, enforcement actions, worker safety, health, pension, and welfare benefits, job training services, and other worker benefits.

CHALLENGE FOR THE DEPARTMENT

Safeguarding data and information systems is a continuing challenge for all Federal agencies, including DOL. Recent OIG audits have identified deficiencies in configuration management and account management, as well as security and access controls weaknesses in key departmental financial and non-financial systems. These deficiencies can pose an increased risk to the security of data and information maintained in DOL systems. As the Department continues moving applications to a cloud environment, it must address challenges identified by the Council of Inspectors General on Integrity and Efficiency's (CIGIE) 2014 review of cloud computing. The CIGIE found that Federal agencies have not fully considered Federal guidance and best practices; contracts lacked detailed specifications as suggested in the Federal cloud computing guidelines and best practices documentation; and agencies did not have an accurate and complete inventory of their cloud systems. The Department has not resolved the concern that data downloaded through a remote connection, which may contain personally identifiable information, is not being tracked and managed in accordance with OMB M-07-16, "Safeguarding Against and Responding to the Breach of Personally Identifiable Information. This OMB memorandum requires the Department to log all computer-readable data extracts from databases holding sensitive information and verify each extract, including whether sensitive data has been erased within 90 days or its use is still required.

The Department has also faced challenges in managing its financial system, New Core Financial Management System (NCFMS). The contractor that owned and operated NCFMS and owned the DOL financial data filed for bankruptcy protection on September 4, 2014. In anticipation of the contractor's insolvency, the Department devoted considerable resources during the summer for contingency planning in the event that the Department would not have complete access to critical data. We issued a report recommending certain measures to strengthen the contingency planning efforts. In addition, the Department was forced to make unexpected expenditures totaling \$23 million over 25 months to procure software, hardware and the DOL data to continue to maintain the financial system following the contractor closing down.

DEPARTMENT'S PROGRESS

The Department has made progress in establishing risk mitigation as a priority via its Risk Management program. The Office of the Chief Information Officer (OCIO) established Priority Security Performance Metrics and began measuring agency progress on achieving these metrics resulting in the remediation and closure of 93% of prior year findings. The Department stated there were multiple new initiatives completed within the previous fiscal year, such as updating the DOL Computer Security Handbook and implementing its enterprise monitoring tool, Tivoli Endpoint Manager for Security and Compliance (known as BigFix), automating DOL inventory, vulnerability and configuration management processes. In addition, the Department stated it has acquired an enterprise information technology (IT) system monitoring tool to assist in configuration management, vulnerability assessment, and accounting for the inventory of electronic devices connecting to each IT system. Finally, the Department reported that it has made considerable progress in consolidating its data centers and implementing its personal identity verification (PIV) card logon program.

In response to our audit work, the Department made improvements to the contingency planning for the financial management system. The Department also worked with the General Services Administration to effectuate the procurement of the software, hardware and data from the now-defunct contractor. The bankruptcy court has approved the transaction, and operations have transitioned to a federal shared services provider.

WHAT REMAINS TO BE DONE

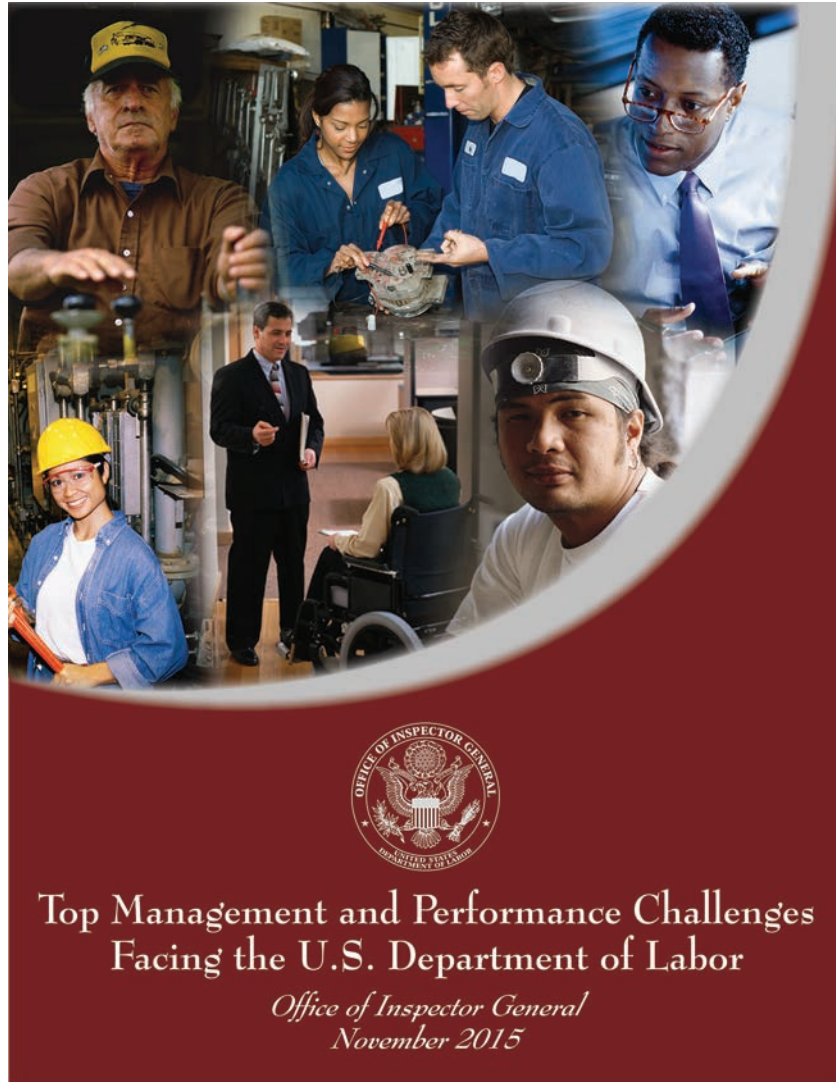
DOL needs to continue to reduce its IT footprint by completing its data center consolidation efforts and reducing the number of external connections. The Department must take steps to ensure its processes for managing applications and information in cloud computing environments are updated and institutionalized in the form of department wide policies and procedures. The Department needs to continue its efforts to implement the OMB M-07-16 requirement to log/verify data extracts and the PIV logon program. Most importantly, a greater presence in IT system security is needed at the Executive Level; continuing current Risk Management and Continuous Monitoring Program processes will assist in that effort as Executives become integral to the discussion and understanding of their IT security risks and control weaknesses, including setting mitigation priorities.

The Department will need to accelerate its transition planning and funding to meet the unexpected costs incurred with the NCFMS contractor's insolvency. The Department will need to closely monitor the operation of the financial system for the foreseeable future to ensure that it is operating effectively.

CHANGES FROM LAST YEAR:

Changes to the 2013 Top Management Challenges report include combining of the challenge related to miner safety and health into one challenge on worker safety and health. Similarly, the 2013 report contained separate challenges for Workforce Investment Act grants, the Job Corps program, and Veterans Employment and Training Service programs. The 2014 report contains one challenge describing the difficulties the Department faces in providing unemployed adults, youth and veterans with job training programs and other employment services that help them to obtain suitable employment. In 2014, "Ensuring the Safety and Health of Job Corps Students and Staff" is reported as a separate challenge.

NOVEMBER 2015, DOL OIG, "TOP MANAGEMENT AND PERFORMANCE CHALLENGES
FACING THE U.S. DEPARTMENT OF LABOR"





As of November 2015, the OIG considers the following as the most serious management and performance challenges facing the U.S. Department of Labor:

- Providing a Safe Learning Environment at Job Corps Centers.2
- Protecting the Safety and Health of Workers4
- Helping Adults, Youth and Veterans Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market6
- Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families9
- Securing and Managing Information Systems11
- Reducing Improper Payments.13

CHALLENGE: Providing a Safe Learning Environment at Job Corps Centers

BACKGROUND

The Job Corps program provides residential and nonresidential education, training, and support services to approximately 60,000 disadvantaged, at-risk youth, ages 16-24, at 125 Job Corps centers nationwide. The goal of this \$1.6 billion program is to offer an intensive intervention to this targeted population as a means to help them learn a career, earn a high school diploma or pass the General Education Development test, and find and keep a good job.

CHALLENGE FOR THE DEPARTMENT

The Job Corps program remains challenged in its efforts to control violence and provide a safe learning environment at its centers. Without providing a safe learning environment for students and staff, Job Corps cannot meet its core mission of attracting young people who face economic disadvantages or come from debilitating environments, teaching them the skills they need to become employable and independent, and placing them in meaningful jobs or further education.

Job Corps centers have been troubled by violence and other criminal behavior for years, as some center operators have not been enforcing disciplinary policies. In the past year, a student at the St. Louis Job Corps Center allegedly shot and killed another student in their dormitory room, and center operations at the Homestead Job Corps Center in South Florida were suspended and students transferred to other centers after a student there was murdered, allegedly by several of his fellow students.

Previous to these serious incidents, OIG audits disclosed that some Job Corps centers failed to report and investigate serious misconduct, like drug abuse and assaults, or downgraded incidents of violence to lesser infractions to keep students enrolled, creating an unsafe environment for students and staff.

DEPARTMENT'S PROGRESS

Job Corps indicated it took steps in 2014 to address safety issues at its centers. Job Corps stated it instructed its regional offices to take immediate action to ensure centers are enforcing the program's zero tolerance policy. In addition, Job Corps reported it is developing a comprehensive center safety profile intended to provide management staff with current data on significant incident reports and comments and concerns expressed by students or the public regarding center safety. Job Corps stated regional office staff has been instructed to conduct unannounced monitoring visits to centers with a focus on high-risk or low-performing centers, and it is seeking an extra \$3.5 million to help coordinate oversight at its regional offices.

Job Corps also stated it is in the process of developing a risk management assessment tool to help program managers identify centers with a higher level of programmatic risk, including factors such as safety and student conduct. In response to concerns about the underreporting of data regarding student conduct infractions and dispositions, Job Corps reported it has conducted training on entering complete and accurate data in a timely manner into its Center Information System.

WHAT REMAINS TO BE DONE

To provide a safe and healthful center environment for Job Corps students and staff, the Department needs to expeditiously implement the various initiatives it has recently begun to protect the safety of its students. After these initiatives have been implemented, the Department must be more vigilant in its monitoring to ensure center operators and Regional Office personnel fully enforce Job Corps' zero tolerance policy. The Department also needs to examine whether its admissions screening process is adequately vetting the youth who apply for admission to the program, and whether it needs to modify the performance clauses in center operators' contracts to remove possible disincentives to enforcing its zero tolerance policy.

CHALLENGE: Protecting the Safety and Health of Workers

BACKGROUND

The Department administers the Occupational Safety and Health Act of 1970 (OSH Act) and the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act). DOL's effective enforcement of these laws is critical to protecting workers from death, injury, and illness.

The two DOL agencies primarily responsible for enforcing these laws are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). OSHA and its state partners are responsible for the safety and health of 130 million workers employed at more than 8 million establishments. MSHA is responsible for the safety and health of more than 350,000 miners who work at more than 13,000 mines.

CHALLENGE FOR THE DEPARTMENT

The Department faces challenges in determining how to best use its limited resources to help ensure the safety and health of workers, particularly in high risk industries such as construction, forestry, fishing, agriculture, and mining. OIG audits have found OSHA lacks outcome-based data needed to determine the effectiveness of its programs. OSHA is also challenged to protect workers from retaliation and discrimination when they "blow the whistle" on unsafe or unhealthy workplace practices.

MSHA continues to struggle to meet its statutory mine inspection requirements and other enforcement responsibilities, such as protecting the rights of miners who report workplace safety and health concerns. At MSHA, this challenge is made even more difficult by the demands of maintaining a cadre of experienced, diverse, and properly trained enforcement staff and top management. Almost 40% of MSHA's health and safety personnel are eligible to retire by 2017. This is a particularly pressing issue given the nearly 2 years it takes to train new mine inspectors. Moreover, 78% of MSHA's top leadership is eligible to retire by 2017. MSHA is also challenged by the underreporting of occupational injuries and illnesses by mine operators. This underreporting hinders MSHA's ability to focus its resources on mines that have elevated accident and injury rates. MSHA recently implemented the first phase of its new standards for a phased reduction in the amount of allowable respirable dust in coal mines by August 2016. While MSHA has reported positive results in the first phase, the agency remains challenged to ensure compliance with the more rigorous standard taking effect in 2016, particularly in the face of an ongoing court challenge by the industry to the new regulations.

DEPARTMENT'S PROGRESS

OSHA stated it is considering changes to the way it does business to better use its limited resources. In this regard, the Department initiated a multi-year study of OSHA's Site Specific Targeting program to assess the impact of program interventions on future employer compliance. The study is scheduled to be completed by the end of calendar year 2015. OSHA has introduced 10 new performance measures for monitoring State Plans, one of which is intended to help OSHA determine the effectiveness of State Plan inspection targeting. For its whistleblower protection program, OSHA has created and updated its dedicated website – www.whistleblowers.gov. The site provides workers, employers, and the public with easily accessible information about the 22

federal whistleblower protection statutes OSHA currently administers. OSHA has also established whistleblower dedicated Assistant Regional Administrator positions in its regions.

MSHA stated it has new and ongoing initiatives and other strategies in FY 2015 to protect the nation's miners, with the goal of continuing the long-term trend toward reduced fatality rates. MSHA stated it stepped up its targeted enforcement at metal/nonmetal mines and continued to engage in compliance initiatives including implementation of the first phase of the Respirable Dust Rule to end black lung disease among coal miners, promotion of the Rules to Live By initiative to prevent common types of mining deaths, and issuance of guidance on ladder safety and workplace examinations to improve compliance with the most frequently cited violations of metal/nonmetal standards. MSHA issued a final rule on proximity detection systems for continuous mining machines in underground coal mines and a proposed rule for proximity detection systems on mobile machines, also in underground coal mines. In addition, MSHA stated it implemented technological advancements to make mine rescue safer and more efficient and extended its mine rescue reach by establishing regional mine emergency stations. MSHA also stated it has developed a succession plan for FYs 2013-2017 and is implementing key strategies for leadership development such as training, mentoring and detailing employees to developmental assignments.

WHAT REMAINS TO BE DONE

OSHA's performance measures have been focused on activities rather than outcomes. While OSHA cites several studies that have shown a positive impact from OSHA inspections, the agency needs to continue its efforts to develop metrics that reflect the impact of its enforcement efforts on improving workplace safety and health. When its study of the Site Specific Targeting Program is completed, OSHA needs to analyze the study results and use them to improve its targeting efforts. Similarly, OSHA needs to evaluate its ten new performance measures to identify the measures that have been having a positive impact on improving worker safety and health. While OSHA has implemented timeliness measures for its Whistleblower Program, it needs to develop performance measures that will indicate if the program is working as intended and if complaints are being thoroughly investigated.

MSHA needs to continue taking action to further enhance its knowledge of the underreporting of accidents, injuries and illnesses by mine operators and use this knowledge to finalize its strategy to address mine operator programs and practices that discourage reporting. MSHA also needs to continue working on the next steps in mine safety, including training the mine rescue community on state-of-the-art communications, monitoring and tracking systems; developing new mine rescue and command and control guidance; investing in video tools for advancing rescue teams; and upgrading seismic and robotics technology. MSHA also needs to continue conducting stakeholder outreach so that mine operators have ample time to adjust to the new respirable coal dust requirements. MSHA further needs to continue its efforts to ensure key health, safety, and top management positions do not experience significant vacancies.

CHALLENGE: Helping Adults, Youth and Veterans Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market

BACKGROUND

In FY 2015, the Department's Employment and Training Administration (ETA) was appropriated \$1.8 billion for grants to states for Workforce Innovation and Opportunity Act (Opportunity Act) Adult, Dislocated Worker, and Youth programs. On July 1, 2015, most provisions of the Opportunity Act, which replaced the Workforce Investment Act of 1998, took effect. The Opportunity Act contains provisions to strategically align workforce development programs to develop participants' skills to meet needs of employers and to improve accountability and transparency in reporting. ETA also operates the Job Corps program, spending \$1.6 billion dollars annually to provide residential and nonresidential education, training, and support services to approximately 60,000 disadvantaged, at-risk youths (ages 16-24), at 125 Job Corps centers nationwide.

The Veterans' Employment and Training Service (VETS) assists veterans in obtaining and maintaining civilian employment primarily through its Jobs for Veterans State Grants Program. Administered by State Workforce Agencies, this program provides employment services to disabled and other eligible veterans, conducts outreach to employers, and engages in advocacy efforts to increase employment opportunities for veterans.

CHALLENGE FOR THE DEPARTMENT

The Department remains challenged to ensure its job training programs and related services are helping those with barriers to employment to secure the skills and credentials they need to obtain jobs paying a living wage. This challenge is made even more difficult by a lack of reliable outcome data that prevents the Department from being able to evaluate the effectiveness of its workforce development programs.

Our work in Job Corps has found its graduates have been often placed in jobs unrelated to the occupational skills training they received or in jobs that required little or no training. A 2014 GAO report on Workforce Investment Act (WIA) training outcome data concluded that data on credential attainment and training-related employment can potentially provide more meaningful information on the value of training services. The Department faces challenges in assuring credentials that participants obtain from DOL-funded training programs are industry-recognized and actually help participants obtain jobs in those industries. The Department continues to be challenged to ensure the accuracy of reported outcomes data, as states do not have the technical capabilities needed to track and report this data. While provisions in the Opportunity Act are designed to standardize performance metrics and data collection, the new act does not include a requirement to report on training-related placements.

The employment situation for veterans has improved, as evidenced by the Bureau of Labor Statistics' announcement in August 2015 that the unemployment rate for veterans had dropped to 4.2% – a 7 year low. As military downsizing continues, the Department will continue to be challenged to meet the demand for employment services by veterans returning to civilian life, particularly for those with barriers to employment. In particular, facilitating veteran attainment of licensing and credentialing for civilian jobs similar to their military jobs is one of the Department's most important and challenging objectives. The Department estimates about 90% of future

participants served by its Jobs for Veterans State Grants program will require career services, such as career planning and assessment and referrals to job training and support services. A lack of reliable data has been preventing VETS from determining how well states have been meeting veterans' needs for services that lead to good jobs.

DEPARTMENT'S PROGRESS

In July 2015, provisions in the Opportunity Act took effect to improve accountability by requiring the reporting of common performance indicators used by federally funded workforce training programs. For example, the Act created a single set of common measures for adults across all core programs authorized under the bill, including both occupational training and adult education programs, and a similar set of common measures across all youth serving programs authorized under the bill. ETA has begun providing guidance and technical assistance to states to assist with the transition to the new Opportunity Act requirements, and has proposed regulations to implement the new legislation.

ETA expects to begin to receive the initial results from its WIA Gold Standard Evaluation by the end of 2015 and the final impact findings in 2017. ETA stated it plans to use these results to identify those practices and services that are having a positive impact on participants' ability to obtain good jobs.

Job Corps indicated it implemented a standards-based system of teaching and learning and began to identify and replicate the practices of high-performing centers. To improve the usefulness of its reported performance data, Job Corps stated it has updated its Job Training Match Crosswalk to align with the revised DOL O*NET-Standard Occupational Classification database, which characterizes all jobs in the U.S. labor market. Another area of progress cited by Job Corps is its system-wide credentialing strategy to align all career technical training offered throughout the program with an industry recognized credential, thereby offering every graduate the opportunity to earn at least one industry recognized credential upon program completion. Job Corps also stated it has increased its oversight of under-performing training programs by improving monitoring and more effectively using performance improvement plans, center assessments, and other oversight tools.

VETS stated it has provided more emphasis and efforts in three areas: 1) preventing unemployment of recently-separated veterans by engaging with them before they leave military service; 2) serving veterans with significant barriers to employment; and 3) expanding nationwide outreach. VETS also noted participation in the Department of Labor Employment Workshop portion of the military's Transition Assistance Program has increased almost 30% since 2013, and it has redesigned the workshop curriculum to be more responsive to the career needs of participants. VETS stated it has designated categories of transitioning service members as eligible to receive services from its Disabled Veterans Outreach specialists before they leave active duty, and has partnered with the Department of Defense to allow eligible transitioning service members to participate in registered apprenticeships during their last six months of military service. VETS also partnered with the Department of Veterans Affairs to establish a Joint Work Group whose goal is to improve the quality of employment services and outcomes for

veterans with disabilities. Finally, VETS stated it has expanded its nationwide outreach program by adding staff in the national and six regional offices to improve awareness of VETS' program and cooperation with stakeholders.

WHAT REMAINS TO BE DONE

The Department must reconcile public comments and issue final regulations to implement the provisions of the Opportunity Act by January 22, 2016. The performance requirements of the Opportunity Act take effect starting July 2016; therefore, ETA needs to establish a new data collection and update technology to collect this new data. At a minimum, ETA will need to address data reliability and validity challenges over the initial implementation year. ETA also needs to ensure the results of the WIA Gold Standard Evaluation are used to identify those services that are having a positive impact on participants' ability to obtain good jobs.

In Job Corps, the Department needs to complete its plans to issue new guidance on performance improvement plans and to revise its procedures for conducting regional office center assessments. The Department also needs to evaluate the effectiveness of Job Corps' system-wide credentialing strategy. The Department should continue to pursue statutory access to the National Directory of New Hires. Such access would streamline the process of obtaining earnings data needed to assess the impact of services provided by ETA, VETS, and other agencies within the Department. The Department should also consider conducting a longitudinal study, similar to the WIA Gold Standard Evaluation, of the job counseling, training, and placement services for veterans provided by the Department. Such a study could provide a better understanding of the impact of the Department's services on the employment outcomes of veterans.

CHALLENGE: Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families

BACKGROUND

The Employee Benefits Security Administration (EBSA) protects the integrity of pensions, health, and other employee benefits for about 143 million people. EBSA's enforcement authority extends to an estimated 677,000 private retirement plans, 2.3 million health plans, and a similar number of other employee welfare plans that together hold \$8.7 trillion in assets. EBSA's responsibilities include providing oversight of the federal Thrift Savings Plan, the largest defined-contribution plan in the United States, with nearly \$450 billion in assets and 5 million participants.

CHALLENGE FOR THE DEPARTMENT

EBSA's limited authority and resources present challenges in achieving its mission of administering and enforcing ERISA requirements protecting the pensions, health, and other employee benefits for approximately 143 million participants and beneficiaries. An important part of EBSA's mission is to deter and correct violations of ERISA through a strong enforcement program to ensure workers receive promised benefits. Given the number of plans the agency oversees relative to the number of investigators, EBSA has to devise ways to focus its available resources on investigations, audits and other reviews that it believes will most likely result in the deterrence, detection, and correction of ERISA violations. In order to do so, EBSA must determine which of its enforcement initiatives are the most effective.

For many years, EBSA's oversight efforts have been challenged by the fact that billions of dollars in pension assets held in otherwise regulated entities, such as banks, escaped audit scrutiny. ERISA provides an option for a limited-scope audit under which plan auditors, generally, need not audit investment information certified by certain banks or insurance carriers presumably because they are being audited by other entities for other purposes. As a result, the independent public accountants that conduct their audits express "no opinion" on the financial statements of plans that receive certifications from these institutions holding assets on behalf of the plans. These limited-scope audits weaken assurances to stakeholders and may put retirement plan assets at risk because they provide little or no confirmation regarding the existence or value of plan assets. These concerns were renewed by recent audit findings that as much as \$3.3 trillion in pension assets, including an estimated \$800 billion in hard-to-value alternative investments, received limited-scope audits that provided few assurances to participants as to the financial health of their plans.

EBSA is further challenged by the large increase in the types and complexity of investment products available to pension plans. EBSA's proposed conflict of interest rule is intended to ensure workers enrolled in retirement plans can be assured the investment advice they receive is delivered with their best interest in mind, but the rule faces significant opposition from Congress and industry stakeholders.

EBSA also faces challenges in protecting participants in ERISA-covered, self-funded health plans from improper claim denials. EBSA has little or no information about the plans it oversees because it has exempted 98% of

health plans from the requirement to file Form 5500 informational reports. EBSA should reexamine the filing exemption for small plans and capture data on claims for health plans on Form 5500.

DEPARTMENT'S PROGRESS

In FY 2011, EBSA implemented the Sample Investigation Program (SIP) to measure compliance with the civil provisions of ERISA. EBSA reported it has processed 1,415 SIP cases through September 15, 2015, and thoroughly analyzed the data. EBSA stated the analysis showed that the employee benefit plans, violations and investigations studied were too different from each other to draw meaningful statistically-supported inferences regarding overall compliance or the impact of EBSA's investigations. EBSA said it will continue to analyze the data, including identifying consequential trends, to make it statistically more useful to the agency, but will only be able to report on certain issues in a qualitative way. Going forward, EBSA plans to scale back the SIP program to redirect resources to other compliance projects, including one on bonding. Rather than attempt to measure overall compliance with all of ERISA's many provisions, EBSA stated it is focusing on this specific compliance issue of special importance to the integrity of plans and plan benefits.

WHAT REMAINS TO BE DONE

EBSA should continue to analyze violation trends as an additional methodology to help guide its resource allocation strategies.

EBSA should concentrate on ensuring final regulations on the conflict of interest rule are issued and continue its work to obtain legislative changes repealing the limited-scope audit exemption. In the interim, EBSA should continue to expand its existing authority to clarify and strengthen limited scope audit regulations and evaluate the ERISA Council's recommendations on the issue.

Regarding health plans, EBSA needs to reexamine the filing exemption for small plans and capture data on claims for health plans on Form 5500, increase its enforcement activities, and improve its analysis of the denial of claims data at the plan and insurer levels. EBSA should also continue participant complaint reporting, collaborating with states on data and enforcement activities, and work with plans and review other ways it could improve the external review process for participants and beneficiaries.

CHALLENGE: Securing and Managing Information Systems

BACKGROUND

More than 50 of the Department's major information systems contain sensitive information that is central to its mission and to the effective administration of its programs. Departmental systems are used to analyze and house the nation's leading economic indicators, such as the unemployment rate and the Consumer Price Index. They also maintain critical and sensitive data related to the Department's financial activities, enforcement actions, worker safety, health, pension, and welfare benefits, job training services, and other worker benefits.

CHALLENGE FOR THE DEPARTMENT

Safeguarding data and information systems is a continuing challenge for all federal agencies, including the Department of Labor. The recent cyber-theft of an estimated 22 million federal personnel records from the Office of Personnel Management highlights the risks faced by federal agencies. OIG's audits and investigations have identified deficiencies in configuration management and account management, as well as security and access controls weaknesses in the Department's major information systems, including web applications. These deficiencies pose an increased risk to the security of data and information maintained in Departmental systems.

The Department remains challenged to fully implement two-factor authentication for 100% of its users, particularly its privileged users. The Department also needs to reduce the number of users with privileged access to systems to minimize its exposure to attacks similar in nature to the OPM data breach. The Department continues to be challenged to mitigate the significant deficiencies associated with its systems' access controls and its third party oversight and configuration management processes. The Department must address challenges related to mitigating the risks associated with the acquisition and management of cloud solutions such as ensuring contracts contain provisions that protect the integrity, security and availability of government owned data, and monitoring usage rates to ensure charges do not exceed funded amounts. The Department also needs to mitigate the risks posed by today's smartphones. Mobile devices can be easily misplaced or stolen, are susceptible to electronic eavesdropping, and their whereabouts can be easily tracked and secretly monitored.

The Department continues to face challenges in managing its financial system, New Core Financial Management System (NCFMS), created by sudden legal and bankruptcy issues faced by the private sector firm that was providing these services. The Department procured the NCFMS assets and entered into an interagency agreement for a federal shared services provider to assume operations and maintenance of NCFMS at a cost of more than \$2 million per month. The Department has entered into another \$24.9 million time and materials interagency agreement with the shared services provider to operate and maintain NCFMS over a one-year period that began in April 2015. Initially, a time and materials agreement may have been the most appropriate as the shared services provider was gaining an understanding of the operations and stabilizing the system; however, the provider has now been operating NCFMS for almost a year, but the Department has not been able to define its requirements and move to a fixed-price agreement.

DEPARTMENT'S PROGRESS

As of September 15, 2015, the Department reported it had implemented two-factor authentication for about 89% of its users. The Department plans to achieve full compliance with two-factor authentication by September 30, 2015. The Department has piloted a mobile device management solution, MaaS360, to secure mobile device usage across the Department. In April 2015, the Department issued guidance to provide agencies with a standard oversight and monitoring process for its external service providers. The Department stated it has increased the frequency of its monitoring reviews and is in the process of deploying additional enterprise monitoring tools to address the weaknesses associated with agency account management and baseline configuration procedures.

The Department stated it has taken steps to mitigate NCFMS costs, but contended NCFMS operations continue to lack the certainty needed to make a firm-fixed priced agreement a reasonable and prudent choice as we recommended. The Department stated it will closely monitor costs under its current agreement and will consider a firm-fixed priced agreement if and when it becomes the more cost efficient model.

WHAT REMAINS TO BE DONE

The Department needs to fully implement the use of PIV cards to provide greater security of its information systems. Departmental agencies need to prioritize available resources to implement planned actions to correct deficiencies in web applications, configuration management, access controls (including account management), and update its third-party oversight procedures by December 31, 2015. The Department needs to update its policies for managing applications and information in cloud computing environments to include best practices. The Department also needs to implement the OMB M-07-16 requirement to log/verify data extracts and complete its plans to implement a mobile device management program that can be scaled to cover up to 30,000 portable devices.

The Department must closely monitor the operation and maintenance services of NCFMS to mitigate financial and operational risks. The Department should establish a firm-fixed priced agreement with the federal shared service provider for routine operation and maintenance to assist the Department in managing its costs within budgeted amounts and reduce the need for agencies to shift funds from program-related requirements.

CHALLENGE: Reducing Improper Payments

BACKGROUND

In its Fiscal Year (FY) 2014 Agency Financial Report, the Department estimated the Unemployment Insurance (UI) benefit program made \$5.6 billion in improper payments. According to OMB, the UI program had the fifth highest amount of reported improper payments among all federal programs. Claimants who failed to actively seek employment and therefore did not meet work search requirements were the leading cause of UI overpayments. OIG investigations also continue to uncover fraud committed by individual UI recipients who do not report or underreport earnings, as well as fraud related to fictitious employer schemes.

The cluster of Workforce Investment Act (WIA) Title I programs (Adult, Youth, and Dislocated Workers) and the FECA benefit program have been classified as at-risk of significant improper payments by OMB former Circular No. A-11, Section 57.

CHALLENGE FOR THE DEPARTMENT

OMB has designated the UI program as being particularly at risk for improper payments, and the Department's ability to identify and reduce UI improper payments continues to be a challenge. OIG's investigative casework clearly shows the UI program remains vulnerable to fraud and abuse. As detailed in OIG's July 2015 investigative advisory report on UI fraud, identity thieves and organized criminal groups have found ways to exploit program weaknesses, and the OIG views this fraud as a significant threat to the integrity of the UI program.

The Department also remains challenged in identifying the full extent of improper payments in the FECA and WIA programs. The FY 2014 improper payment estimate for FECA was likely understated because the estimate excluded initial payments made in the first 90 days of a compensation claim, as well as payments made on claims initiated on older claims. While some amount of improper payments may be unavoidable due to the need to make initial payments as quickly as possible to alleviate hardships to injured federal workers, the Department should track the extent of such improper payments and whether they get adjusted to the correct amount. Also, the estimate of fraudulent FECA payments was based on actual restitution amounts and therefore did not reflect an estimate of undetected fraud. For the WIA programs, data are not readily available to allow the Department to directly sample grant payments and develop a statistically valid estimate of improper payments.

DEPARTMENT'S PROGRESS

The Department continues to work with states to implement a number of strategies to improve the prevention, detection and recovery of UI improper payments, and cited positive impacts such as an 83% reduction in the Employment Services registration error rate in the 2014 reporting period compared with the 2011 baseline. The Department also pursued the "Improper Payment High Priority States" initiative to reduce the UI improper payment rate in those states with unacceptably high levels over a prolonged period. According to the Department, each of the six states designated in FY 2012 and two states designated in FY 2013 achieved an improper payment rate below 10%, resulting in their removal from this designation in FY 2015 (although five new states were identified as subject to enhanced monitoring and technical assistance). In September 2015, the Department's UI Integrity Center of Excellence hosted a UI Technology Symposium for states to exchange

information with each other about technology and tools for the prevention and detection of improper payments. In addition, the Department stated it is working to improve collaboration with federal benefit programs, such as Earned Income Tax Credit and Medicaid, which were recently targeted by fraud schemes involving the use of stolen, personally-identifying information to fraudulently claim benefits.

With respect to improper payments in the FECA program, in FY 2014 the Department implemented a new, OMB-approved methodology for estimating the FECA improper payment rate and will report the FECA improper payment rate on an annual basis. In addition, OWCP stated it is developing a Program Integrity Unit with auditors and data analysts to provide greater oversight and analysis of payment accuracy. OWCP has also contracted with a data analytics firm to assist in developing technology and analytic tools to detect and monitor inherent risk in claims, payments, and providers. The resultant technology should enable OWCP to refine its policy, procedures, and oversight interventions. In the WIA programs, the Department stated it has attempted to identify the full extent of improper payments by including estimates from other sources.

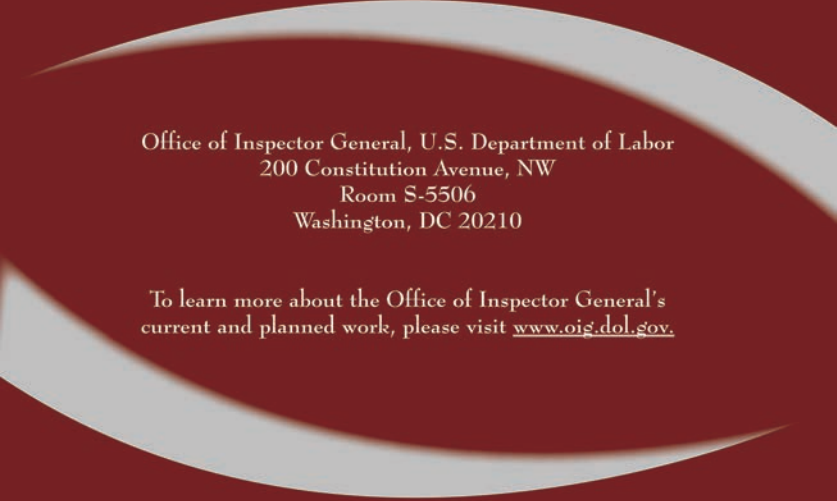
WHAT REMAINS TO BE DONE

The Department needs to employ cost benefit and return on investment analyses to evaluate the impact of its improper payment reduction strategies for UI. The Department can further improve oversight of the states' detection and prevention of UI overpayments by increasing the frequency of on-site reviews at State Workforce Agencies (SWAs). In addition, the Department needs to continue pursuing legislation to allow states to use a percentage of recovered UI overpayments to detect and deter benefit overpayments.

OIG's July 2015 investigative advisory report included several recommendations on actions the Department should take to address systemic weaknesses that make the UI program more susceptible to fraudulent activity. For example, SWAs should pay all UI claims by physical check, direct deposit, or a debit card issued by state-approved vendors. Such cards provide for account holder verification and make it easier to identify individuals who are submitting fraudulent claims. ETA also needs to work with SWAs to develop a plan to identify multiple claims that originate from the same IP addresses, provide all identified fraudulent claimant information to a shared database that can be queried to identify the filing of fraudulent claims against multiple states, discontinue auto-populating any data in their systems, and require UI claimants to fill out all employer contact information correctly and completely. Additionally, ETA needs to work with states to strengthen existing systematic audit controls to track access to personally identifiable information, and to identify and implement best practices and strategies for communication between tax operations and benefit operations.

The Department needs to continue developing the technology and analytic tools (e.g., models) to enhance its FECA improper payment estimation methodology.

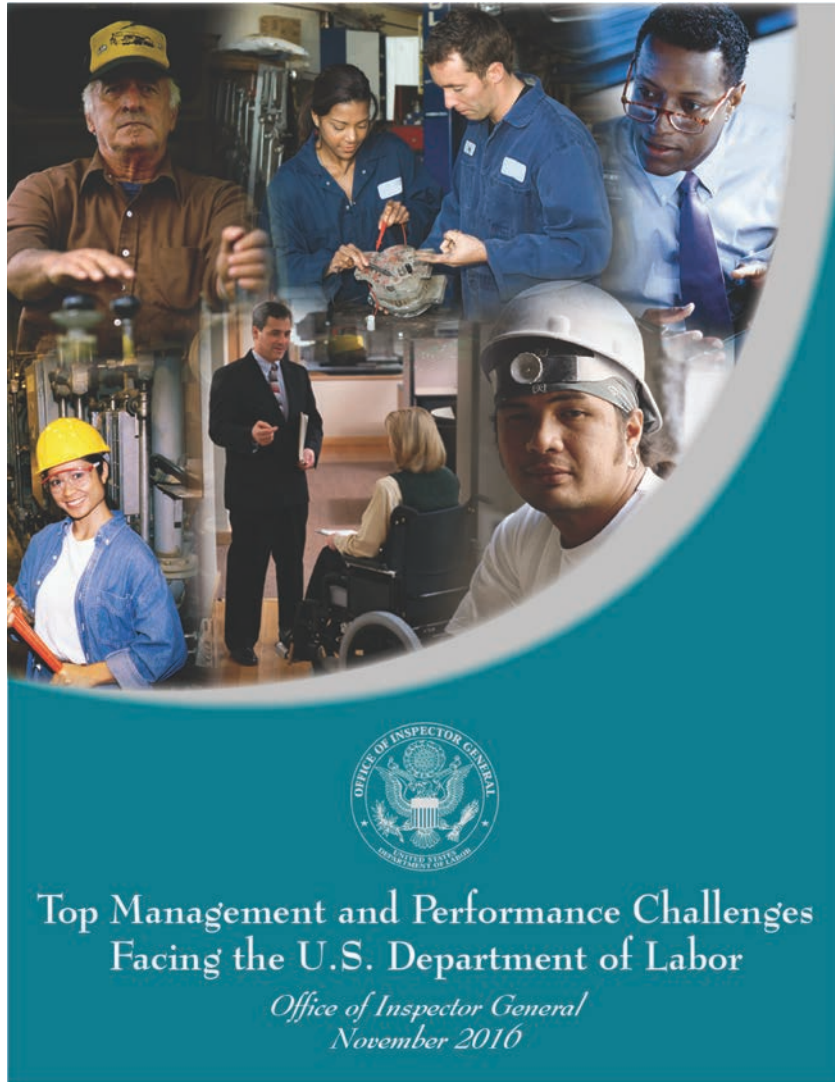
Finally, the Department needs to continue working with OMB to properly classify the individual grant programs authorized under the newly enacted Workforce Innovations and Opportunity Act. Since data are not readily available to allow the Department to develop a statistically valid improper payments estimate by directly sampling grant payments, the Department needs to consider other sampling methods. Further, the Department needs to provide full disclosure in the Agency Financial Report regarding the limitations of the data used to estimate overpayments.



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NOVEMBER 2016, DOL OIG, "TOP MANAGEMENT AND PERFORMANCE CHALLENGES
FACING THE U.S. DEPARTMENT OF LABOR"





As of November 2016, the OIG considers the following as the most serious management and performance challenges facing the Department:

- Providing a Safe Learning Environment at Job Corps Centers 2
- Protecting the Safety and Health of Workers 3
- Helping Adults and Youth Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market 5
- Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families 6
- Securing and Managing Information Systems 8
- Reducing Improper Payments 9
- Monitoring and Managing Compounded Drug Medications in the FECA Program 12

CHALLENGE: Providing a Safe Learning Environment at Job Corps Centers

BACKGROUND

The Job Corps program provides residential and nonresidential education, training, and support services to approximately 50,000 disadvantaged, at-risk youth, ages 16-24, at 126 Job Corps centers nationwide. The goal of this \$1.7 billion program is to offer an intensive intervention to this targeted population as a means to help them learn a career, earn a high school diploma or pass the high school equivalency test, and find and keep a good job.

CHALLENGE FOR THE DEPARTMENT

The Job Corps program remains challenged in its efforts to control violence and provide a safe learning environment at its centers. Without providing a safe learning environment for students and staff, Job Corps will struggle to meet its core mission of attracting young people who face economic disadvantages or come from debilitating environments, teaching them the skills they need to become employable and independent, and placing them in meaningful jobs or further education.

Job Corps centers have been troubled by violence and other criminal behavior for years, and the program remains challenged in its efforts to prevent violence and provide a safe learning environment at its centers. In 2015, two students were murdered at two different Job Corps centers, allegedly by fellow students. OIG audits prior to these serious incidents disclosed that some Job Corps centers failed to report and investigate serious misconduct, including drug abuse and assaults, or downgraded incidents of violence to lesser infractions to keep students enrolled, creating an unsafe environment for students and staff. Our continuing work in this area revealed Job Corps had not determined what law enforcement organization had jurisdiction to enforce criminal laws on 99 center campuses operated by contractors. Where law enforcement agreements were in place, they lacked the specificity needed to ensure timely and effective law enforcement involvement. Furthermore, Job Corps had not conducted system-wide assessments of center campuses to determine the security challenges it faced. We found a variety of problems at the centers we visited, such as inadequate security camera monitoring and security staff shortages. We also found that Job Corps did not require background checks for all center employees.

DEPARTMENT'S PROGRESS

Job Corps established a Division of Regional Operations and Program Integrity, in part, to improve oversight of center safety. Job Corps also developed a Risk Management Dashboard that allows for targeted interventions at centers before problems fully emerge that could lead to safety issues. Additionally, Job Corps began conducting center culture and safety assessments and unannounced monitoring trips that review center safety, security, and culture through direct observation and interviews with center staff and students. During the year, Job Corps revised its "Zero-Tolerance" student conduct policy to increase student accountability and clarify center staff authority to address misconduct. Also, Job Corps stated "Industry Foundation Courses" were being implemented to quickly ramp up students' academic and technical knowledge and skills. The courses are intended to increase student engagement and retention, and decrease behavioral issues. Job Corps is currently piloting a new enrollment process for potential students. The new enrollment process requires recruitment contractors to assess applicants' readiness to participate in the program. Job Corps is implementing a more thorough process for conducting criminal background checks on potential students that includes a national search, as opposed

to previous local searches. Job Corps is also implementing a toll-free student safety hotline. The hotline will handle calls of an urgent nature, including calls that relate to the safety and security of Job Corps students and staff. Lastly, Job Corps has a series of Center Safety and Security Vulnerabilities Assessments underway. These assessments include access control of buildings, campus lighting, and security operations.

WHAT REMAINS TO BE DONE

Job Corps needs to continue its efforts to provide a safe and healthy center environment for students and staff. To accomplish this, Job Corps needs to expeditiously complete the various safety initiatives it has recently begun. After these initiatives have been implemented, Job Corps must be more vigilant in its monitoring to ensure center operators and regional office personnel fully enforce Job Corps' zero tolerance policy. Job Corps also needs to establish appropriate law enforcement jurisdiction and agreements for each center, assess campus physical security system-wide, and develop and implement policy for criminal background checks of center employees.

CHALLENGE: Protecting the Safety and Health of Workers

BACKGROUND

The Department administers the Occupational Safety and Health Act of 1970 (OSH Act) and the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act). DOL's effective enforcement of these laws is critical to protecting workers from death, injury, and illness.

The two DOL agencies primarily responsible for enforcing these laws are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). OSHA and its state partners are responsible for the safety and health of 121 million workers employed at more than 9 million establishments. MSHA is responsible for the safety and health of almost 350,000 miners who work at more than 13,000 mines.

CHALLENGE FOR THE DEPARTMENT

The Department faces challenges in determining how to best use its limited resources to help ensure the safety and health of workers, particularly in high risk industries such as construction, forestry, fishing, agriculture, and mining. Past OIG audits have found OSHA lacks outcome-based data needed to determine the effectiveness of its programs. The Department's recently completed multi-year study of OSHA's Site Specific Targeting found the impact of the program interventions on future employer compliance was not statistically significant. OSHA also encounters challenges in its efforts to protect workers from retaliation and discrimination when they "blow the whistle" on unsafe or unhealthy workplace practices.

Given the significant decline in coal production and closings of coal mines in the last year, MSHA is challenged to appropriately redeploy resources where needed. In addition, MSHA reports 64 percent of its top leadership will be eligible to retire in 2018. As a result, the agency is challenged to maintain an experienced and diverse cadre of top management. MSHA is also challenged by the underreporting of occupational injuries and illnesses by mine operators. This underreporting hinders MSHA's ability to focus its resources on the most dangerous mines.

DEPARTMENT'S PROGRESS

OSHA has introduced 10 new performance measures (in addition to the 8 existing measures) for monitoring State Plans, one of which is intended to help OSHA determine the effectiveness of inspection targeting in states that operate their own worker safety and health programs. For its whistleblower protection program, OSHA has created and updated its dedicated website – www.whistleblowers.gov. The site provides workers, employers, and the public with information about the 22 federal whistleblower protection statutes OSHA currently administers. OSHA has also established whistleblower dedicated Assistant Regional Administrator positions in its regions.

MSHA has taken steps to reallocate resources based on need; for example, the agency has closed or consolidated some field offices, transferred personnel among offices, and offered relocation incentives. MSHA stated it stepped up its targeted enforcement at metal/nonmetal mines and continued to engage in compliance initiatives. These initiatives include implementing the third phase of the Respirable Dust Rule to end black lung disease among coal miners and promoting the Rules to Live By campaign to prevent common types of mining deaths. The agency also issued a final rule on proximity detection systems for continuous mining machines in underground coal mines and extended its mine rescue reach by establishing regional mine emergency stations. MSHA stated it has taken actions to enhance its knowledge of underreporting of injuries and illnesses through a number of evaluations and is currently working on a proposal to evaluate predictors of injury and illness reporting patterns within the mining industry. MSHA further stated it has been following its succession plan for FYs 2013-2017. The plan includes leadership development activities such as training, mentoring and detailing employees to developmental assignments.

WHAT REMAINS TO BE DONE

OSHA's performance measures for federal and state enforcement have focused on output activities rather than outcomes. The agency needs to continue its efforts to develop performance measures that reflect the impact of its enforcement efforts on improving workplace safety and health. While OSHA has implemented timeliness measures for whistleblower investigations, it needs to develop outcome measures that will indicate if the Whistleblower Program is working as intended and complaints are being thoroughly investigated.

MSHA needs to critically examine its resource allocations to ensure its enforcement staff is deployed where most needed and continue taking actions responsive to declining coal production. MSHA needs to continue taking action to further enhance its knowledge of the underreporting of accidents, injuries and illnesses by mine operators and use this knowledge to finalize its strategy to address mine operator programs and practices that discourage reporting. MSHA also needs to continue working on the next steps in mine safety, including training the mine rescue community on state-of-the-art communications, monitoring and tracking systems; developing new mine rescue and command and control guidance; investing in video tools for advancing rescue teams; and upgrading seismic and robotics technology. MSHA needs to update its succession plan as part of its continuing efforts to recruit and hire senior leadership.

CHALLENGE: Helping Adults and Youth Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market

BACKGROUND

In Fiscal Year (FY) 2016, the Department's Employment and Training Administration (ETA) was appropriated \$3.3 billion to operate a system of education, skills training, and employment services directed toward increasing the post-program employment and earnings of current and future workers, particularly low-income persons, dislocated workers, and at-risk and out-of-school youth. The majority of the activities are authorized by the Workforce Innovation and Opportunity Act (WIOA). WIOA contains provisions to strategically align workforce development programs to develop participants' skills to meet the needs of employers and to improve accountability and transparency in reporting. ETA also operates the Job Corps program, spending \$1.7 billion dollars annually to provide residential and nonresidential education, training, and support services to approximately 50,000 disadvantaged, at-risk youths (ages 16-24), at 126 Job Corps centers nationwide.

CHALLENGE FOR THE DEPARTMENT

The Department remains challenged to ensure its job training programs and related services are helping those with barriers to employment secure the skills and credentials they need to obtain jobs paying a living wage. This challenge is made even more difficult by a lack of reliable performance data. As the Government Accountability Office (GAO) reported in March 2016, state program officials have identified several challenges to WIOA performance reporting, including the cost and complexity of integrating data systems, limited staff expertise, and antiquated information technology systems. The Department also faces challenges in assuring credentials that participants obtain from DOL-funded training programs are industry-recognized and actually help participants obtain jobs in those industries. Our work in Job Corps has found its graduates have been often placed in jobs unrelated to the occupational certifications and skills training they received or in jobs that required little or no training.

DEPARTMENT'S PROGRESS

On August 19, 2016, the Department published final rules to implement WIOA. Before issuing the final rules, the Department provided ongoing guidance and technical assistance to the public workforce system on how to prepare for full implementation. Through the Innovation and Opportunity Network (ION), stakeholders may access a range of information and technical assistance, such as ETA guidance letters, fact sheets, and webinars. Additionally, the Department provided for the use of Workforce Investment Act funds to plan and implement WIOA programs and related transition activities.

Beyond the final rules, the Departments of Education and Labor developed several Information Collection Requests on performance accountability, state planning, and others, which have been approved by the Office of Management and Budget. States will use this information to create or revise management information systems used to collect the necessary data to satisfy WIOA reporting requirements. The Department also reported it completed the WIOA Integrated Performance System (WIPS) by its October 1, 2016 target, and is working with the Department of Education on several additional performance-related guidance documents for the workforce system.

Job Corps indicated it is continuing its efforts to ensure access to a standards-based teaching and learning system. In response to requirements outlined within WIOA, Job Corps is assessing all credential attainments relative to in-demand occupations and wages. The effort is intended to align credential offerings with those most valued by potential employers. Job Corps also stated a technology-based platform called MyPACE (Pathway to Achieving Career Excellence) will be used to help students identify education and training goals and allow Career Management Teams made up of teachers and counselors to track and support student progress from entry through transition to college or career.

WHAT REMAINS TO BE DONE

Now that WIOA final rules are in effect, and states can prepare reports under new performance requirements using WIPS, the Department will need to address data reliability and validity challenges as states begin to report. The Department should also continue pursuing statutory access to the National Directory of New Hires. Such access would streamline the process of obtaining earnings data needed to assess program impact. Additionally, the Department should use results from GAO's review of WIOA implementation to identify promising practices states can use to promote regional collaboration and resource sharing — one of WIOA's strategies for building job-driven labor markets. In Job Corps, the Department needs to refine its performance management system to focus on being proactive in identifying and addressing low performing centers and training programs to ensure its students are comprehensively prepared to enter and complete in the workforce.

CHALLENGE: Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families

BACKGROUND

The Employee Benefits Security Administration (EBSA) protects the integrity of pensions, health, and other employee benefits for about 149 million people. EBSA's enforcement authority extends to an estimated 685,000 private retirement plans, 2.2 million health plans, and a similar number of other employee welfare plans that together hold \$9.1 trillion in assets. EBSA's responsibilities include providing oversight of the federal Thrift Savings Plan, the largest defined-contribution plan in the United States, with nearly \$450 billion in assets and 5 million participants.

CHALLENGE FOR THE DEPARTMENT

EBSA's limited authority and resources present challenges in achieving its mission of administering and enforcing ERISA requirements protecting the pensions, health, and other employee benefits for approximately 143 million participants and beneficiaries. An important part of EBSA's mission is to deter and correct violations of ERISA through a strong enforcement program to ensure workers receive promised benefits. Given the number of plans the agency oversees relative to the number of investigators, EBSA has to devise ways to focus its available resources on investigations, audits and other reviews that it believes will most likely result in the deterrence, detection, and correction of ERISA violations. In order to do so, EBSA must determine which of its enforcement initiatives are the most effective. For many years, EBSA's oversight efforts have been challenged by the fact that billions of dollars in pension assets held in otherwise regulated entities, such as banks, escaped audit scrutiny. ERISA provides an option for a limited-scope audit under which plan auditors generally do not need to audit

investment information certified by certain banks or insurance carriers, presumably because they are being audited by other entities for other purposes. As a result, the independent public accountants that conduct limited-scope audits express "no opinion" on the financial statements of plans that receive certifications from the banks or insurance carriers holding assets on behalf of the plans. These limited-scope audits weaken assurances to stakeholders and may put retirement plan assets at risk because such audits provide little or no confirmation regarding the existence or value of plan assets. These concerns were renewed by recent audit findings that as much as \$3.3 trillion in pension assets, including an estimated \$800 billion in hard-to-value alternative investments, received limited-scope audits that provided few assurances to participants as to the financial health of their plans.

EBSA is further challenged by the large increase in the types and complexity of investment products available to pension plans. EBSA's final conflict of interest rule is intended to ensure workers enrolled in retirement plans can be assured the investment advice they receive is delivered with their best interest in mind, but the rule faces significant opposition from Congress and the financial industry.

EBSA also faces challenges in protecting participants in ERISA-covered, self-funded health plans from improper claim denials. EBSA has little or no information about the plans it oversees because it has exempted 98% of health plans from the requirement to file Form 5500 informational reports. EBSA should reexamine the filing exemption for small plans and begin capturing health plan claims data on Form 5500.

DEPARTMENT'S PROGRESS

EBSA created the Sample Investigation Program (SIP) to measure overall compliance with the civil provisions of ERISA and the impact of EBSA investigations on compliance rates of investigated employee benefit plans. EBSA has continued to analyze the compliance data available to the agency and use lessons learned to improve the SIP as well as its overall enforcement program. EBSA has begun to focus on specific compliance issues of special importance to the integrity of plans and plan benefits. For instance, EBSA initiated a bonding compliance project in FY 2015 that will continue into FY 2016.

As part of the Form 5500 "21st Century" project, EBSA is developing proposed changes to strengthen the requirements for limited scope audit certifications from banks and insurance companies. As part of the same project, EBSA is developing certain changes to the Form 5500 financial statements and schedules to improve reporting of alternative and hard-to-value assets and to improve group health plan reporting. The agency issued a proposed regulation in July 2016.

EBSA also published a proposed rule in July 2016 that would require all ERISA covered group health plans to file Form 5500 information and related health claims data.

WHAT REMAINS TO BE DONE

EBSA should continue to analyze violation trends as an additional methodology to help guide its resource allocation strategies. The agency should concentrate on obtaining legislative changes to repeal the limited-scope audit exemption. In the interim, EBSA should further expand its existing authority to clarify and strengthen limited

scope audit regulations and evaluate the ERISA Council's recommendations on the issue. Regarding health plans, EBSA needs to finalize its proposed rule, increase its enforcement activities, and improve its analysis of the denial of claims data at the plan and insurer levels. EBSA should also collaborate with states on data and enforcement activities, and work with health plans to identify other ways it could improve the external review process for participants and beneficiaries.

CHALLENGE: Securing and Managing Information Systems

BACKGROUND

The Department's major information systems contain sensitive information that is central to its mission and to the effective administration of its programs. Departmental systems are used to analyze and house the nation's leading economic indicators, such as the unemployment rate and the Consumer Price Index. These systems also maintain critical and sensitive data related to the Department's financial activities, enforcement actions, worker safety, health, pension, and welfare benefits, job training services, and other worker benefits. In FY 2015, the Department spent a total of \$667 million on information technology investments, including \$15 million for specific cyber security efforts.

CHALLENGE FOR THE DEPARTMENT

Safeguarding data and information systems is a continuing challenge for all federal agencies, including DOL. Consistent with findings reported over the past ten years, in FY 2015 we identified continuing deficiencies in the areas of access controls, configuration management, and contingency planning. For the past five years, we reported deficiencies in third-party oversight, incident response and reporting, risk management, and continuous monitoring. Despite many previous reports that identified similar control weaknesses, these deficiencies continue to exist or reoccur, and represent ongoing, unnecessary risks to the confidentiality, integrity, and availability of DOL's information. The Department has not placed sufficient emphasis or prioritized available resources necessary to address these deficiencies. We have recommended that realigning the position of the Chief Information Officer (CIO) to report directly to the Deputy Secretary would give the CIO greater independence and authority for implementing and maintaining an effective information security program, compared to the existing structure of reporting to the Assistant Secretary for Administration and Management, the Office of the Chief Information Officer's (OCIO) largest customer. Such a realignment would bring the CIO's placement in line with other cabinet level agencies such as Commerce, Interior, Justice, Agriculture, and Energy.

Ensuring proper management of multimillion-dollar information technology systems is also a challenge for the Department. Under the Federal Information Technology Acquisition Reform Act, in FY 2017 the Department's CIO will have oversight responsibility for information technology investments totaling an estimated \$759 million. The Department has encountered difficulties in managing its financial system due to the 2014 bankruptcy of the private-sector firm that was providing these services. The Department procured the financial system assets and entered into another interagency agreement for a federal shared services provider to assume operations and maintenance of the system at a cost of more than \$2 million per month. From July 2014 to July 2016, the Department operated under time and materials contracts to run and maintain the financial system. In July 2016, the Department entered into a delivery order contract with some fixed price items.

DEPARTMENT'S PROGRESS

According to the OCIO, the Department finalized an Enterprise-wide corrective action plan in the Spring of 2016 that prioritizes actions to be taken to address the Department's information security control deficiencies. OCIO reported significant material progress had been achieved, but there are likely to be some remaining issues identified in future audits. Accomplishments cited by OCIO included implementation of PIV access for end users, publication of the DOL Third Party Monitoring Guide to improve oversight of systems owned or operated by contractors, improvements in capabilities to drive the deployment of critical patches, and the standing up of a failover site for critical systems to meet recovery time objectives. OCIO also reported agencies within the Department have been informed and trained on Computer Security Handbook policy and provided Plan of Action and Milestone scorecards semiannually.

The Department stated it has taken steps to mitigate costs associated with its financial system, including entering into a new contract in July 2016, but contended financial system operations continue to lack the certainty needed to make a firm-fixed priced agreement a reasonable and prudent choice as we recommended. The Department stated it will closely monitor costs under its current agreement and will consider a firm-fixed priced agreement if and when it becomes the more cost efficient model.

WHAT REMAINS TO BE DONE

Departmental agencies need to prioritize available resources to implement planned actions to correct remaining deficiencies in identity and access management, configuration management, contingency planning, incident response, reporting, and monitoring of contractor systems. OCIO needs to update the DOL Third Party Monitoring Guide to make it clear the Department's responsibility for oversight of third-party systems applies to all systems that are owned and operated on behalf of Labor, including Cloud-based systems.

To improve the ability of the Chief Information Officer to implement and maintain a more effective information security program, the Department needs to realign the position of the Chief Information Officer to provide the proper independence and authority.

The Department must closely monitor the operation and maintenance services of its financial system to mitigate financial and operational risks. The Department should establish a firm-fixed priced agreement with the service provider for routine operation and maintenance to assist the Department in managing its costs within budgeted amounts and reduce the need for agencies to shift funds from program-related requirements.

CHALLENGE: Reducing Improper Payments**BACKGROUND**

The Department's most recent risk assessment cycle in FY 2014 identified the Unemployment Insurance (UI) and Federal Employee Compensation Act (FECA) benefit programs as susceptible to improper payments. According to OMB, in 2015 the UI program had the seventh highest amount of reported improper payments (\$3.5 billion) among all federal programs. OIG investigations continue to uncover fraud committed by individual UI recipients

who do not report or underreport earnings, as well as fraud related to fictitious employer schemes. In FY 2015, the Department estimated improper payments in the FECA benefit program totaled roughly \$86 million. The Department conducted risk assessments of programs newly authorized by the WIOA and determined all WIOA authorized programs were low risk and did not require improper payment reporting.

CHALLENGE FOR THE DEPARTMENT

The Department remains challenged in its efforts to measure, report, and reduce improper payments in its UI and FECA benefit programs.

OMB has recognized the UI program as being at high risk for improper payments. UI improper payments declined from \$5.6 billion in 2014 to \$3.4 billion in 2015. While this reduction was primarily due to the \$16 billion decrease in total UI payments, the reduction of the improper payment rate from an estimated 11.6 percent in 2014 to an estimated 10.7 percent in 2015 also contributed to the decline. However, the UI improper payment rate of 10.7 percent remained above OMB's threshold of 10 percent. Fraud continues to be a significant threat to the integrity of the UI program, as identity thieves and organized criminal groups have found ways to exploit program weaknesses.

The Department also remains challenged in identifying the full extent of improper payments in the FECA program, and OIG continues to have concerns regarding the completeness of the claims universe used to determine DOL's published FECA improper payment estimates. DOL again excluded two categories of compensation payments in its improper payment estimates for FECA, but did not determine and report the full effect of those exclusions on its estimates. Also, DOL could improve its improper payment estimate by identifying the FECA improper payment issues discovered by fraud investigations and estimating the extent to which these issues exist in the payment population.

DEPARTMENT'S PROGRESS

The Department has worked with states to reduce UI improper payment rates, which decreased from an estimated 11.6 percent in 2014 to 10.7 percent in 2015. For FY 2016, DOL is tracking state implementation of seven core strategies for lowering the rate of UI improper payments. Among these strategies is implementation of the State Information Data Exchange System (SIDES), a web-based system that allows electronic transmission of UI information requests from UI agencies to multi-state employers and/or Third Party Administrators, as well as transmission of replies containing the requested information back to the UI agencies. The core strategies also include the Treasury Offset Program to recover certain unemployment debts from federal income tax refunds, use of technology or other solutions designed to address improper payments due to a claimant's failure to register with the state's Employment Service, implementation of statewide claimant-employer messaging designed to improve claimants' awareness of their responsibilities to report any work and earnings and improving their understanding of state work search requirements, and state use of published recommended operating procedures for using the National Directory of New Hires to identify claimants who have returned to work. The Department stated it has supported and promoted state implementation of strategies to lower the improper payment rate, such as software for states to identify multiple claims from the same Internet Protocol address. In addition, the Department cited the development of the state-driven UI Integrity Center for Excellence with the goal of promoting the development

and implementation of innovative integrity strategies. According to the Department, the Center is also working to develop a secure data repository for state UI agencies to access information on known "suspicious actors" determined to be fraudulent as well as other data for cross-matching purposes.

With respect to improper payments in the FECA program, the Department stated that many improper payments in the FECA program were "technically proper" when they were initiated, but due to current payment cycles, the payments could not be adjusted when additional information was received. The Department believes the changes to an enhanced Treasury payment cycle that were initiated toward the end FY 2015 period will result in even larger improper payment reductions in FY 2016. The Department stated it has hired additional staff dedicated to process improvement and improper payment reduction, and contracted with a data analytics firm to assist in developing technology and tools to detect and monitor inherent risk in claims, payments, and providers. In particular, the Department stated it has developed new controls to address issues associated with pharmaceutical payments. Additionally, the Department continues to work with other federal partners, such as the Social Security Administration, Internal Revenue Service, and Office of Personnel Management, to facilitate data matches aimed at reducing improper payments.

WHAT REMAINS TO BE DONE

The Department needs to employ cost benefit and return on investment analyses to evaluate the impact of its improper payment reduction strategies for UI. The Department can further improve oversight of the states' detection and prevention of UI overpayments by increasing the frequency of on-site reviews at State Workforce Agencies. In addition, the Department needs to continue pursuing legislation to allow states to use a percentage of recovered UI overpayments to detect and deter benefit overpayments.

OIG's July 2015 investigative advisory report included several recommendations on actions the Department should take to address systemic weaknesses that make the UI program more susceptible to fraudulent activity. For example, State Workforce Agencies should pay all UI claims by physical check, direct deposit, or a debit card issued by state-approved vendors. Such cards provide for account holder verification and make it easier to identify individuals who are submitting fraudulent claims. The Department also needs to work with SWAs to implement strategies to identify multiple claims that originate from the same IP addresses, provide all identified fraudulent claimant information to a shared database that can be queried to identify the filing of fraudulent claims against multiple states, discontinue auto-populating any data in their systems, and require UI claimants to fill out all employer contact information correctly and completely. Additionally, the Department needs to work with states to strengthen existing systematic audit controls to track access to personally identifiable information, and to identify and implement best practices and strategies for communication between tax operations and benefit operations.

The Department also needs to continue developing the technology and analytic tools to enhance its FECA improper payment estimation methodology.

CHALLENGE: Monitoring and Managing Compounded Drug Medications in the FECA Program

BACKGROUND

FECA provides workers' compensation coverage to approximately three million federal and postal workers around the world for employment-related injuries and occupational diseases. FECA is administered by the Office of Workers' Compensation Programs (OWCP), Division of Federal Employees' Compensation (DFEC). DFEC made payments totaling about \$3 billion in Chargeback Year 2015 (July 1, 2014 to June 30, 2015) for compensation and medical benefits. Compensation payments are those made to replace lost wages for a work related injury, benefits for a permanent physical impairment due to those injuries, as well as benefits to beneficiaries of federal employees that die as a result of a work-related injury. Medical payments are made to cover the expenses of medical services, prescription drugs, equipment and supplies incurred from treatment for illness and/or injury sustained while an employee was engaged in job-related activities. In Chargeback Year 2015, compensation payments totaled about \$1.92 billion (64%); medical payments totaled about \$1.07 billion (36%).

CHALLENGE FOR THE DEPARTMENT

The Department's FECA program is challenged to monitor and manage compounded drug medications (drugs created by combining, mixing, or altering the ingredients of drugs to tailor them to individual patients). The FECA program, along with the other Federal and state government health programs and private sector benefit managers, has experienced a large increase in the use and cost of compounded drugs – medications about which there are safety and fraud concerns. Compounded drugs may be appropriate for a small number of patients who have distinct circumstances, but they are not subject to approval by the Food and Drug Administration (FDA). The FDA has repeatedly reported and testified on the unsafe practices associated with the manufacturing of compounded drugs in both sterile and non-sterile pharmacies. State boards of pharmacy, which generally oversee the compounding pharmacies, have started to strengthen their oversight after multiple safety violations, such as a 2012 meningitis outbreak caused by contaminated compounded injections, which resulted in over 60 deaths and over 750 cases of severe fungal infection.

The compounded drug industry has also come under much scrutiny due to the sharp rise in the cost and number of compounded drug prescriptions, and the recent detection of several fraud schemes. Pharmaceutical costs in the FECA program jumped from \$184 million in FY 2011 to \$413 million in FY 2015, or 124 percent. Costs for compounded drugs accounted for much of this increase, rising from just \$2 million in FY 2011 to \$214 million in FY 2015. Compounded drug costs jumped from \$80 million in FY 2014 to \$214 million in FY 2015, surpassing the costs of all other drugs billed to FECA (\$199 million).

DEPARTMENT'S PROGRESS

Effective July 1, 2016, the Department reduced FECA reimbursements for generic drugs from 70% of average wholesale price to 60%, and created a tiered reimbursement structure that pays 50% of average wholesale price for compounded drugs with three or fewer ingredients and 30% of average wholesale price for compounded drugs

with four or more ingredients. DFEC estimates this change should result in a reduction in reimbursements of nearly \$118 million below 2015 levels.

In October 2016, DFEC implemented a new policy requiring an injured worker's treating physician to complete a certification/letter of medical necessity prior to authorization of any compounded medication, as well as a policy restricting authorizations for compounded drug prescriptions to a maximum of 90 days, with initial fills and refills to be issued in 30-day supplies. DFEC has been working with the Department of Veterans' Affairs, TRICARE, and other insurance providers to identify the most effective practices for managing compounded drug medications. According to OWCP officials, the DFEC has formed a data integrity unit. OWCP officials stated it plans for this unit to analyze pharmaceutical and medical cost data for the purpose of identifying, evaluating, and proposing steps to remediate (if necessary) and monitor unusual or trending cost developments.

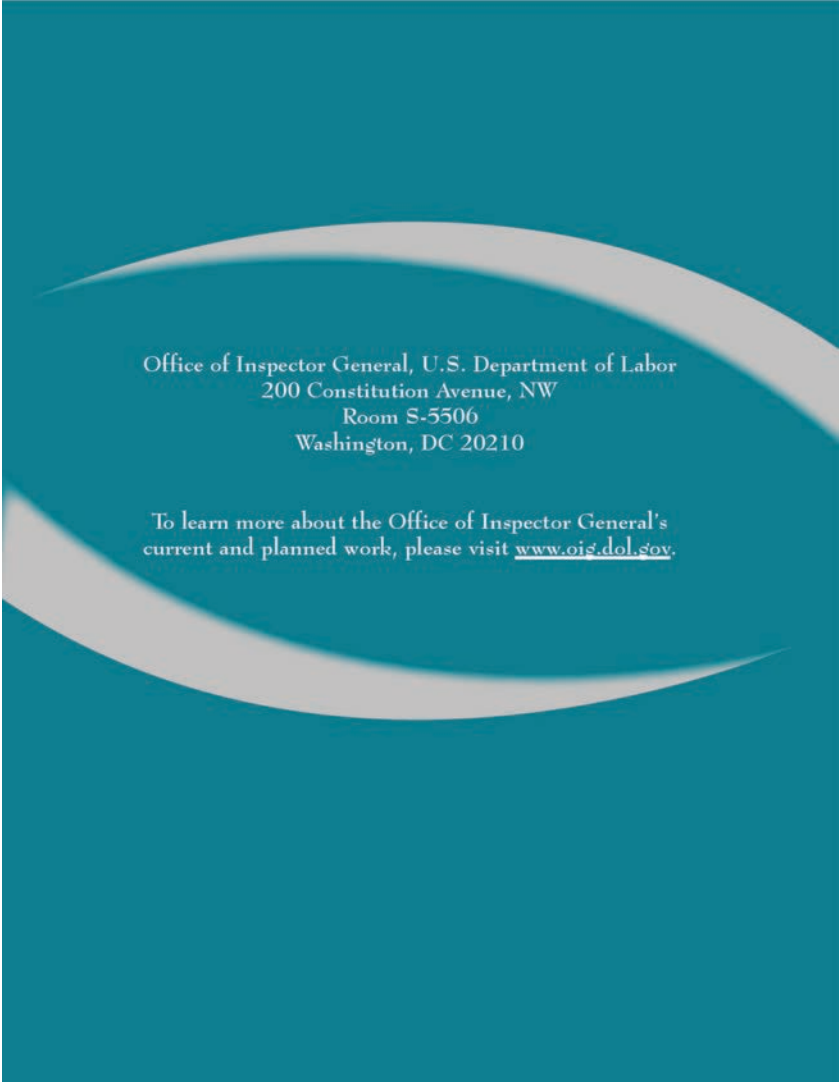
WHAT REMAINS TO BE DONE

The Department needs to take a proactive approach in working with the FDA and other federal benefit programs to decide if the reasons for providing compounded drugs are worth the associated safety risks and costs.

The Department stated that it plans to take additional actions related to the payment and authorization of compounded drugs. These actions include implementing a Pharmacy Benefits Manager, establishing an exception-based policy for payment of ingredients that have the same or similar mechanism of action in compounded drugs, requiring the use of the universal claim form for physician-dispensed compounded drugs to improve tracking, and establishing an exception-based policy for prescriptions containing herbal supplements. Other longer-term actions the Department is considering include limiting the cost or use of inactive ingredients, and implementing a pre-payment/post-payment fraud and abuse detection capability in its medical bill processing contract.

The Department needs to follow through on its planned actions and measure the impact of those actions on the use and cost of compounded drugs, as well as consider options for evaluating the safety, efficacy, and necessity of compounded drugs being dispensed to FECA recipients. It will need to modify its central bill processing contract to add the performance of medical necessity reviews. The Department also needs to ensure it has the most appropriate pricing structure for compounded drugs. The Department should continue its efforts to identify what insurance providers and other federal, state and local agencies are doing to manage pharmaceutical use and costs and determine what best or promising practices may be transferable.

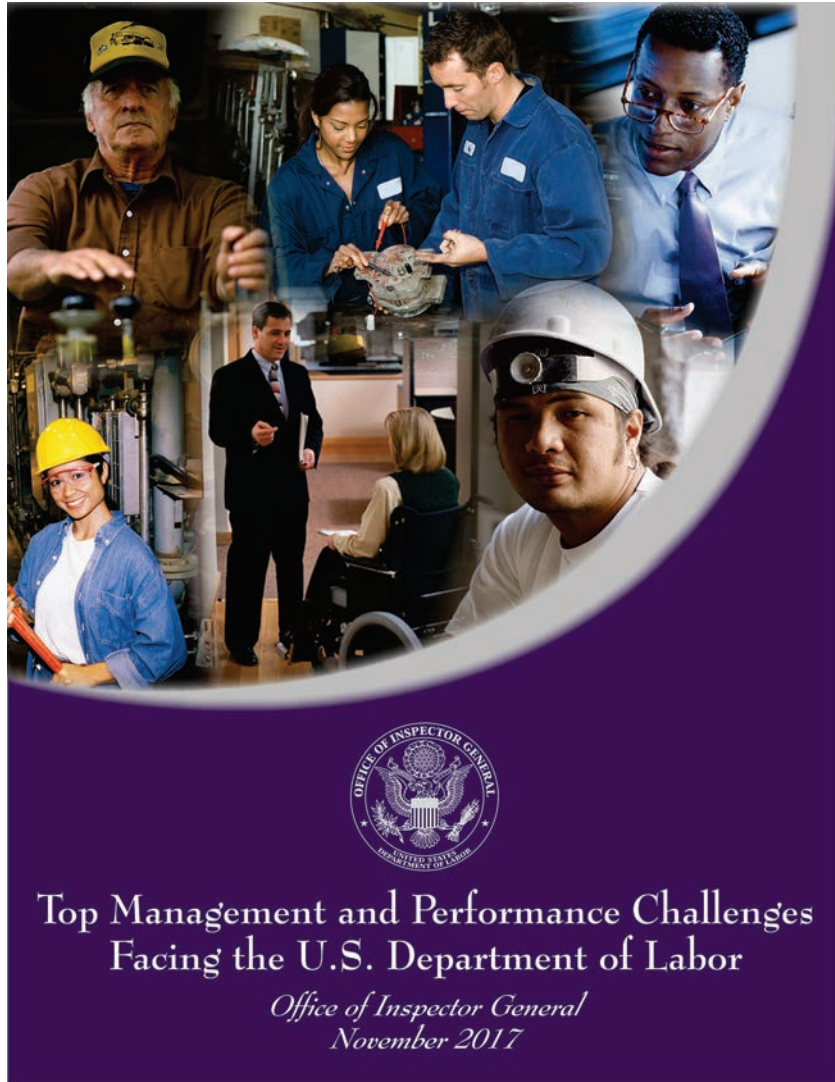




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NOVEMBER 2017, DOL OIG, "TOP MANAGEMENT AND PERFORMANCE CHALLENGES
FACING THE U.S. DEPARTMENT OF LABOR"





As required by the Reports Consolidation Act of 2000, the Office of Inspector General has identified the most serious management and performance challenges facing the U. S. Department of Labor (DOL). These challenges are included in DOL's "Agency Financial Report" for FY 2017.

The Department plays a vital role in the nation's economy and in the lives of workers and retirees, and therefore, must remain vigilant in its important stewardship of taxpayer funds, particularly in the era of shrinking resources.

In this report, we summarize the challenges, significant DOL progress to date, and what remains to be done to address them. The challenges we identified are:

- Providing a Safe Learning Environment at Job Corps Centers..... 2
- Protecting the Safety and Health of Workers.....3
- Helping Adults and Youth Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market.....5
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CHALLENGE: Providing a Safe Learning Environment at Job Corps Centers

BACKGROUND

The Job Corps program provides residential and nonresidential education, training, and support services to approximately 50,000 disadvantaged, at-risk youth, ages 16-24, at 125 Job Corps centers nationwide. The goal of this \$1.7 billion program is to offer an intensive intervention to this targeted population as a means to help them learn a career, earn a high school diploma or pass the high school equivalency test, and find and keep a good job.

CHALLENGE FOR THE DEPARTMENT

The Job Corps program remains challenged in its efforts to control violence and provide a safe learning environment at its centers. Without providing a safe learning environment for students and staff, Job Corps will struggle to meet its core mission of attracting young people who face economic disadvantages or come from debilitating environments, teaching them the skills they need to become employable and independent, and placing them in meaningful jobs or further education.

OIG audits from 2015 and 2017 disclosed that some Job Corps centers failed to report and investigate serious misconduct, including drug abuse and assaults, or downgraded incidents of violence to lesser infractions to keep students enrolled, creating an unsafe environment for students and staff. We also found the Department had not determined what law enforcement organization had jurisdiction to enforce criminal laws on 99 center campuses operated by contractors. Where law enforcement agreements were in place, they lacked the specificity needed to ensure timely and effective law enforcement involvement. Furthermore, Job Corps had not conducted system-wide assessments of center campuses to determine the security challenges it faced. We found a variety of problems at the centers we visited, such as inadequate security camera monitoring and security staff shortages. We also found that Job Corps did not require background checks for all center employees.

DEPARTMENT'S PROGRESS

Job Corps established a Division of Regional Operations and Program Integrity, in part, to improve oversight of center safety. However, the Division has not been fully staffed. Job Corps also stated it is using data from its recently developed Risk Management Dashboard to perform targeted interventions and request issue-specific corrective actions on emerging safety-related issues. Additionally, Job Corps reported it has conducted approximately 50 unannounced center assessments to review center safety, security, and culture through direct observation and interviews with center staff and students. Job Corps revised its zero tolerance student conduct policy to increase student accountability and clarify center staff authority to address misconduct.

Job Corps reported that it is implementing tools to improve assessment of applicants' readiness to benefit from the program. Job Corps stated it completed the rollout of a new criminal background check process for student applicants in May 2017. According to Job Corps, the new process obtains available criminal background information about an individual through a national search, as well as a state search, where available, in addition to the previously used local searches. Job Corps is also working to develop a new background check policy for staff. In addition, Job Corps is implementing a toll-free student safety hotline to handle calls of an urgent nature.

that relate to the safety and security of Job Corps students and staff. Job Corps stated the hotline is now operating in its Atlanta, Boston, Chicago and San Francisco regions. Rollout to its remaining two regions is scheduled to be completed in 2017. Job Corps reports it has completed a series of Center Safety and Security Vulnerabilities Assessments. These assessments evaluated building access controls, campus lighting, and security operations. Finally, Job Corps reported it is improving physical security as funding permits, and has completed Phase 1 of a \$12 million physical security pilot for 12 centers. The goal of this pilot is to equip the centers with technology that will enable center staff to increase oversight and more quickly respond to incidents on center. Job Corps plans to begin and complete Phase 2 of the pilot at 18 more centers in FY 2018.

WHAT REMAINS TO BE DONE

While Job Corps has taken numerous actions to make centers safer, OIG has received an increasing number of significant incident reports (SIR). This increase may be an indication centers are doing a better job of submitting SIRs as required, or it could be an indication of continuing safety and security problems. Job Corps needs to expeditiously complete the various safety initiatives it has recently begun. Moreover, Job Corps must be more vigilant in its monitoring to ensure center operators and regional office personnel fully enforce Job Corps' zero tolerance policy, assess campus security system-wide, and complete and implement the new background check policy for staff.

CHALLENGE: Protecting the Safety and Health of Workers

BACKGROUND

The Department of Labor (DOL) administers the Occupational Safety and Health Act of 1970 and the Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006. DOL's effective enforcement of these laws is critical to protecting workers from death, injury, and illness.

The two DOL agencies primarily responsible for enforcing these laws are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). OSHA and its state partners are responsible for the safety and health of 121 million workers employed at more than 9 million establishments. MSHA is responsible for the safety and health of almost 320,000 miners who work at more than 13,000 mines.

CHALLENGE FOR THE DEPARTMENT

The Department faces challenges in determining how to best use its limited resources to help ensure the safety and health of workers, particularly in high-risk industries such as construction, forestry, fishing, agriculture, and mining. Past OIG audits have found OSHA lacks outcome-based data needed to determine the effectiveness of its enforcement programs. In its efforts to protect workers from retaliation and discrimination when they "blow the whistle" on unsafe or unhealthy workplace practices, OSHA must ensure complainants receive complete investigations within statutory timeframes. Abatement of construction hazards remained a challenge as many citations are closed, not because the employers had corrected the hazards, but because the construction projects had ended. As a result, OSHA had no assurance the employers will use improved safety and health practices on subsequent construction sites.

Given the significant decline in coal production and closings of coal mines in the past decade, MSHA is challenged to appropriately redeploy resources where needed. While coal production is expected to increase through 2018, the increase will vary across regions, with the largest increases in the West while forecasts for the Appalachian region are relatively flat. In addition, MSHA recently reported that 15 to 20 percent of its inspection and technical personnel who are required to meet medical standards do not meet medical standards mandated by the Office of Personnel Management for these positions. MSHA is also challenged by the underreporting of occupational injuries and illnesses by mine operators. This underreporting hinders MSHA's ability to focus its resources on the most dangerous mines.

DEPARTMENT'S PROGRESS

To address the need for reasonable balance between quality and timeliness in the management of whistleblower cases, OSHA stated it has identified a number of process improvements such as streamlining investigative procedures, and developed new guidance to clearly define reasonable balance. These improvements will be outlined in the recently updated whistleblower policy and procedure manual which is currently in the Agency clearance process.

In February 2017, OSHA established the OSHA Program for Internal Control (PIC) as a comprehensive framework to develop, implement, and assess the effectiveness of agency internal controls. As part of OSHA's PIC, the agency established the Evaluation and Analysis Program (EAP) to assess the efficiency and effectiveness of OSHA programs, policies, procedures, and standards, as well as their impact.

MSHA has taken steps to reallocate resources based on need; for example, the agency has closed or consolidated some field offices, transferred personnel among offices, and offered relocation incentives. MSHA stated it stepped up its targeted enforcement at metal/nonmetal mines and continued to engage in compliance initiatives. These initiatives include implementing the third phase of the Respirable Dust Rule to end black lung disease among coal miners and promoting the Rules to Live By campaign to prevent common types of mining deaths. The agency also issued a final rule on proximity detection systems for continuous mining machines in underground coal mines and extended its mine rescue reach by establishing regional mine emergency stations. MSHA has developed an action plan to ensure personnel meet medical standards by conducting individualized assessments of personnel to determine if they meet required standards and taking actions to resolve issues as appropriate. MSHA has conducted one evaluation of the underreporting of injuries and illnesses and another evaluation is in process.

WHAT REMAINS TO BE DONE

OSHA needs to continue its efforts to develop performance measures that reflect the impact of its enforcement efforts on improving workplace safety and health. OSHA also needs to finalize and issue its updated whistleblower policy and procedure manual. To ensure employers take adequate and timely abatement actions in correcting hazards, OSHA needs to enhance its training to staff on abatement verification especially at smaller and transient construction employers, and to continue to look for opportunities to streamline citation issuance.

MSHA needs to critically examine its resource allocations to ensure its enforcement staff is deployed where most needed and continue to take actions responsive to changes in coal production. Moreover, closures of MSHA offices may result in enforcement personnel having to cover larger geographic areas, raising new challenges related to response times and the ability of inspectors and their supervisors to adequately cover expanded territories. MSHA needs to complete its current evaluation of illness and injury reporting and use this knowledge to address mine operator programs and practices that discourage reporting. MSHA also needs to continue: working on the next steps in mine safety, including training the mine rescue community on state-of-the-art communications, monitoring and tracking systems; developing new mine rescue and command and control guidance; investing in video tools for advancing rescue teams; and upgrading seismic and robotics technology.

CHALLENGE: Helping Adults and Youth Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market

BACKGROUND

In FY 2016, the Department's Employment and Training Administration (ETA) was appropriated \$3.3 billion to operate a system of education, skills training, and employment services directed toward increasing the post-program employment and earnings of current and future workers, particularly low-income persons, dislocated workers, and at-risk and out-of-school youth. The majority of the activities are authorized by the Workforce Innovation and Opportunity Act (WIOA). WIOA contains provisions to strategically align workforce development programs to develop participants' skills to meet the needs of employers and to improve accountability and transparency in reporting. ETA also operates the Job Corps program, spending \$1.7 billion dollars annually to provide residential and nonresidential education, training, and support services to approximately 50,000 disadvantaged, at-risk youths (ages 16-24), at 125 Job Corps centers nationwide.

CHALLENGE FOR THE DEPARTMENT

The Department remains challenged to ensure participants in its job training programs are securing the education, training, and support services they need to succeed in the labor market. To address this challenge, the Department needs the right performance information to make evidence-based and data-driven decisions. The Department also faces challenges in assuring credentials that participants obtain from DOL-funded training programs are industry-recognized and actually help participants obtain jobs in those industries. Our work in Job Corps has found its graduates have been often placed in jobs unrelated to the occupational certifications and skills training they received or in jobs that required little or no training.

DEPARTMENT'S PROGRESS

The Department has continued to support WIOA implementation, both through technical assistance and guidance. In December 2016, the Department (with the U.S. Department of Education) issued guidance clarifying requirements for the performance accountability system, and helped states understand methodologies to calculate levels of performance for six primary performance indicators¹. In June 2017, ETA issued guidance

¹ "Performance Accountability Guidance for Workforce Innovation and Opportunity Act (WIOA) Title I, Title II, Title III and Title IV Core Programs."

to assist states in using supplemental wage information to implement WIOA's performance accountability requirements.

During the spring of 2017, ETA, in collaboration with the U.S. Departments of Education and Health and Human Services, hosted three WIOA National Convenings for workforce development stakeholders. ETA reported that nearly 1,170 people participated in the convenings, held in Washington, D.C.; Dallas, TX; and San Diego, CA. Presentations and workshops covered such topics as business engagement, financial and grants management, and performance accountability. ETA posted resource materials from the convenings on its Innovation and Opportunity Network (ION) web site to promote ongoing information sharing for WIOA stakeholders.

Job Corps indicated it is continuing its efforts to ensure access to a standards-based teaching and learning system. In response to requirements outlined within WIOA, Job Corps is assessing all credential attainments relative to in-demand occupations and wages. The effort is intended to align credential offerings with those most valued by potential employers. Job Corps also started a technology-based platform called MyPACE (Pathway to Achieving Career Excellence), that will be used to help students identify education and training goals and allow Career Management Teams made up of teachers and counselors to track and support student progress from entry through transition to college or career. Job Corps also has begun implementation of a new admissions system to improve screening of applicants and expand career training availability for more eligible youth.

WHAT REMAINS TO BE DONE

The Department needs to continue providing technical assistance to states regarding accessing and reporting performance information under WIOA. The Department should also continue pursuing statutory access to the National Directory of New Hires. Such access would streamline the process of obtaining earnings data needed to assess program impact. Additionally, the Department should use results from GAO's review of WIOA implementation to identify promising practices states can use to promote regional collaboration and resource sharing — one of WIOA's strategies for building job-driven labor markets. In Job Corps, the Department needs to refine its performance management system to focus on being proactive in identifying and addressing low performing centers and training programs to ensure its students are comprehensively prepared to enter and compete in the workforce. Job Corps also needs to complete the implementation of its new admissions system.

CHALLENGE: Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families

BACKGROUND

The Employee Benefits Security Administration (EBSA) protects the integrity of pensions, health, and other employee benefits for about 149 million people. EBSA's enforcement authority extends to approximately 685,000 private retirement plans, 2.2 million health plans, and similar numbers of other welfare benefit plans covered by the Employee Retirement Income Security Act of 1974 (ERISA) that together hold \$9.6 trillion in assets. EBSA's responsibilities also include providing oversight of the federal Thrift Savings Plan (TSP), the largest defined-

contribution plan in the United States, with nearly \$510 billion in assets and 5.1 million participants. The TSP is the primary retirement system component for federal government employees.

CHALLENGE FOR THE DEPARTMENT

EBSA's limited authority and resources present challenges in achieving its mission of administering and enforcing ERISA requirements protecting the pensions, health, and other employee benefits for approximately 149 million participants and beneficiaries. An important part of EBSA's mission is to deter and correct violations of ERISA through a strong enforcement program to ensure workers receive promised benefits. Given the number of plans the agency oversees relative to the number of investigators, EBSA has to devise ways to focus its available resources on investigations, audits, and other reviews that it believes will most likely result in the deterrence, detection, and correction of ERISA violations and act proactively to deter violations. EBSA employs about 400 investigators, yielding almost 13,000 plans per investigator. In order to adequately protect the participants in these plans, EBSA must determine which of its enforcement initiatives are the most effective.

For many years, EBSA's oversight efforts have been challenged by the fact that billions of dollars in pension assets held in otherwise regulated entities, such as banks, escaped audit scrutiny. ERISA provides an option for a limited-scope audit under which plan auditors generally do not need to audit investment information certified by certain banks or insurance carriers, presumably because they are being audited by other entities for other purposes. As a result, the independent public accountants that conduct limited-scope audits express "no opinion" on the financial statements of plans that receive certifications from the banks or insurance carriers holding assets on behalf of the plans. These limited-scope audits weaken assurances to stakeholders and may put retirement plan assets at risk because such audits provide little or no confirmation regarding the existence or value of plan assets. These concerns were renewed by recent audit findings that as much as \$3.3 trillion in pension assets, including an estimated \$800 billion in hard-to-value alternative investments, received limited-scope audits that provided few assurances to participants as to the financial health of their plans.

EBSA is further challenged by the large increase in the types and complexity of investment products available to pension plans. EBSA's final conflict of interest rule is intended to ensure workers enrolled in retirement plans can be assured the investment advice they receive is delivered in their best interest.

EBSA also faces challenges in protecting participants because of limited information it receives from its main information gathering tool, the Form 5500 series. The agency does not have comprehensive data about the health plans it oversees because it has exempted small employer plans that are fully insured or unfunded (an estimated 98 percent of ERISA group health plans) from the requirement to file Form 5500 informational reports. EBSA should reexamine the filing exemption for small plans and begin capturing health plan claims data on Form 5500.

DEPARTMENT'S PROGRESS

EBSA created the Sample Investigation Program (SIP) to measure overall compliance with the civil provisions of ERISA and the impact of EBSA investigations on compliance rates of investigated employee benefit plans. EBSA has continued to analyze the compliance data available to the agency and use lessons learned to improve its overall enforcement program. EBSA is now focusing on specific compliance issues of special importance to the

integrity of plans and plan benefits. For instance, EBSA initiated a bonding compliance project in FY 2015 that will continue into FY 2018. EBSA is also implementing the Major Case Initiative to concentrate enforcement resources on investigations that include professional fiduciaries and service providers responsible for managing multiple plans that hold a large number of plan assets and participants.

As part of a Form 5500 "Modernization" project, EBSA published for public comment proposed changes to the Form 5500 reporting requirements and the implementation of annual reporting regulations to strengthen the requirements for limited scope audit certifications from banks and insurance companies that hold plan investment assets and improve reporting of plan financial information, including alternative investments and hard-to-value assets. The agency issued a proposed regulation in July 2016.

WHAT REMAINS TO BE DONE

EBSA should continue to analyze violation trends as an additional methodology to help guide its resource allocation strategies. The agency should concentrate on obtaining legislative changes to repeal the limited-scope audit exemption. In the interim, EBSA should further expand its existing authority to clarify and strengthen limited scope audit regulations and evaluate the ERISA Council's recommendations on the issue.

Regarding health plans, EBSA needs to finalize its proposed rule, increase its enforcement activities, and improve its analysis of the denial of claims data at the plan and insurer levels. EBSA should also collaborate with states on data and enforcement activities, and work with health plans to identify other ways it could improve the external review process for participants and beneficiaries.

CHALLENGE: Reducing Improper Payments

BACKGROUND

In FY 2017, the Department continued to identify the Unemployment Insurance (UI) and Federal Employee Compensation Act (FECA) benefit programs as susceptible to improper payments. According to OMB, in 2016 the UI program had the seventh highest amount of reported improper payments (\$3.9 billion) among all federal programs. In 2017, the reported amount of UI improper payments increased to \$4.1 billion. OIG investigations continue to uncover fraud committed by individual UI recipients who do not report or underreported earnings, as well as fraud related to fictitious employer schemes. In FY 2017, the Department estimated improper payments in the FECA benefit program totaled roughly \$57.2 million.

CHALLENGE FOR THE DEPARTMENT

The Department remains challenged in its efforts to measure, report, and reduce improper payments in its UI and FECA benefit programs.

OMB has recognized the UI program as being at high risk for improper payments. UI improper payments increased from \$3.9 billion in 2016 to \$4.1 billion in 2017, and the improper payment rate increased from 11.7 percent to 12.5 percent, remaining above OMB's threshold of 10 percent. One of the leading causes of UI improper

payments is overpayments due to claimant separation issues, which totaled about \$678 million in FY 2017. Specifically, State Workforce Agencies (SWAs) overpaid UI claimants when employers did not provide timely and accurate information on the reasons individuals separated from employment. Fraud continues to be a significant threat to the integrity of the UI program, as identity thieves and organized criminal groups have found ways to exploit program weaknesses.

The Department also remains challenged in identifying the full extent of improper payments in the FECA program. The Department excluded certain categories of compensation payments in its improper payment estimate for FECA, but did not determine the full effect of those exclusions on its estimate. Further, the Department did not determine the effect of issues identified by fraud investigations and estimate the extent to which these issues existed in the payment population.

DEPARTMENT'S PROGRESS

The Department has continued working with the states to implement strategies for addressing the root causes of improper payments. Our audit of five SWAs' use of the State Information Data Exchange System (SIDES) to facilitate their timely receipt of UI claimants' job separation information found that SIDES contributed to a reduction in related UI improper payment rates; however, better strategies are needed to increase employer participation.

The Department has established the UI Integrity Center of Excellence to be a state-driven source of innovative program integrity strategies to prevent and detect improper payments and reduce fraud. According to the Department, among other activities, the Center has completed the development of a secure portal to enable rapid exchange of information among states about UI fraud schemes and is offering program integrity training for states through the UI Community of Practice website.

In the FECA program, DOL is working with the Office of Personnel Management (OPM) to improve communication that will address dual entitlement issues that lead to improper payments. In addition, the program is also working on a Computer Matching Agreement with the Social Security Administration (SSA) to improve the Department's ability to reduce FECA benefits when an individual is concurrently receiving benefits from SSA. DOL has recently implemented a letter of medical necessity process that has already resulted in a marked decrease in compounded drug claims. Finally, the Department stated it hired additional staff for FECA program integrity and contracted with a data analytics firm to assist in developing technology and tools to detect and monitor inherent risk in claims, payments, and providers.

WHAT REMAINS TO BE DONE

Through our audits in seven states, we found ETA needs to work with states to identify and collect data needed to determine which state-specific strategies for improper payments reduction and recovery are most effective and use the data it obtains to promote the most effective state-specific strategies as National Strategies. The Department can further improve oversight of the states' detection and prevention of UI overpayments by increasing the frequency of on-site reviews at SWAs. In addition, the Department needs to continue pursuing legislation to allow states to use a percentage of recovered UI overpayments to detect and deter benefit overpayments.

OIG's July 2015 investigative advisory report included several recommendations on actions the Department should take to address systemic weaknesses that make the UI program more susceptible to fraudulent activity. For example, SWAs should pay all UI claims by physical check, direct deposit, or a debit card issued by state-approved vendors. Such cards provide for account holder verification and make it easier to identify individuals who are submitting fraudulent claims. The Department also needs to work with SWAs to implement strategies to discontinue auto-populating any data in their systems, and require UI claimants to fill out all employer contact information correctly and completely. Additionally, the Department needs to work with states to strengthen existing systematic audit controls to track access to personally identifiable information, and to identify and implement best practices and strategies for communication between tax operations and benefit operations.

The Department also needs to continue developing the technology and analytic tools to enhance its FECA improper payment estimation methodology.

CHALLENGE: Maintaining the Integrity of Foreign Labor Certification Programs

BACKGROUND

The Department's foreign labor certification programs are intended to provide U.S. employers access to foreign labor in order to meet worker shortages – as long as U.S. workers are unavailable for the work and their wages and working conditions are not adversely affected. The Department's Office of Foreign Labor Certification (OFLC) reviews applications from employers seeking to hire and bring foreign workers as immigrants to the U.S. in permanent positions; non-immigrant workers for temporary professional positions; and agricultural and non-agricultural temporary or seasonal positions. In addition, OFLC processes employer requests for determination of prevailing wages they need to proceed with the employment-based immigrant and certain nonimmigrant processes. Statutes and regulations establish mandatory timeframes within which the OFLC must issue a final determination on an application for labor certification or take certain other actions.

CHALLENGE FOR THE DEPARTMENT

The Department faces challenges in ensuring U.S. employer compliance with statutory requirements protecting U.S. workers against adverse impact on their wages or working conditions when employers hire foreign workers. OIG investigations have shown the foreign labor certification programs, in particular the H-1B program, to be susceptible to significant fraud and abuse, often by dishonest immigration attorneys, employers, labor brokers, and organized criminal enterprises. DOL is statutorily required to certify H-1B applications unless it determines them to be "incomplete or obviously inaccurate." Given this fact, it is not surprising that OIG investigations have revealed schemes where fraudulent applications were filed with DOL on behalf of individuals, fictitious companies, and dishonest businesses seeking to acquire foreign workers. As part of OIG investigations, we have also uncovered instances of unscrupulous employers misusing foreign labor certification programs to engage in human trafficking, with victims often exploited for economic gain.

Another challenge for the foreign labor certification programs has been balancing the quality review of applications against employer needs for timely processing. OFLC has experienced an increase in application volumes in

recent years, receiving 94 percent more applications in Fiscal Year (FY) 2016 when compared to FY 2010. These rising application levels and seasonal spikes in employer filing patterns have resulted in periodic application processing delays.

DEPARTMENT'S PROGRESS

In FY 2017, the Department planned to reorient the focus of its H-2B timeliness measure to better reflect employer requirements by measuring the percent of H-2B employer applications processed within 30 days before the employer needs to hire the foreign workers. From FY 2016 to FY 2018, the Department's budget has requested authorization to establish and retain fees to cover the operating costs for foreign labor certification programs. Once fully implemented, the Department believes these fees would eliminate the need for appropriations to administer its foreign labor certification programs.

In June 2017, the Secretary of Labor issued a memorandum to the Employment and Training Administration, Wage and Hour Division, and the Solicitor of Labor regarding enforcement and coordination within the Department's non-immigrant and immigrant labor certification programs. Pursuant to that memorandum, the OIG worked with the Department on protocols that ensure that allegations of criminal fraud involving both the non-immigrant and immigrant labor certification programs administered by the Department are referred to the OIG expeditiously. The protocols went into effect in August 2017.

In August 2017, the Department published a 60-day Notice in the Federal Register proposing substantial improvements to the Labor Condition Application for Nonimmigrant Workers (LCA/Form ETA 9035/9035E electronic). The Department's proposed enhancements to the form are intended to provide greater transparency for U.S. workers and the general public.

In September 2017, the Department executed a comprehensive agreement with the OIG, authorizing the OFLC to share immigrant and non-immigrant visa program information for the purposes of enhancing worksite investigations and improving information sharing about program debarments and other sanctions imposed on program violators.

WHAT REMAINS TO BE DONE

To combat fraud and abuse of the foreign labor certification programs, the Department needs to propose expanding its statutory and regulatory authority to enhance its ability to debar any employer and any individual acting directly or indirectly in the interest of an employer in relation to both non-immigrant and immigrant workers, and any successor in interest to the employer found to have violated foreign labor certification regulations. The Department also needs to further enhance the reporting and application of suspensions and debarments government-wide. In the H-2B program, the Department needs to continue its efforts to ensure applications are processed in time for employers to hire needed foreign workers while at the same time ensuring the review process protects the interests of American workers. Additionally, the Department needs to seek H-1B statutory authority to verify the accuracy of information provided on labor condition applications. After the Paperwork Reduction Act process has been completed, OFLC needs to move forward with implementing the new H-1B labor condition application.

As the only agency within DOL statutorily authorized to investigate criminal fraud against the foreign labor certification programs, the OIG is concerned with its ability to respond to increases in criminal referrals resulting from greater coordination among DOL agencies. To mitigate this concern, the OIG has requested authorization to access fee-based funding to conduct necessary criminal investigations and audits to combat threats against the foreign labor certification programs.

CHALLENGE: Monitoring and Managing Pharmaceuticals in the FECA Program

BACKGROUND

The Federal Employees' Compensation Act (FECA) program provides workers' compensation coverage to approximately three million federal and postal workers around the world for employment-related injuries and occupational diseases. FECA is administered by the Office of Workers' Compensation Programs (OWCP), Division of Federal Employees' Compensation (DFEC). DFEC made payments totaling about \$3.2 billion in Chargeback Year 2016 (July 1, 2016 to June 30, 2017) for compensation and medical benefits. Compensation payments are those made to replace lost wages for a work related injury, benefits for a permanent physical impairment due to those injuries, as well as benefits to beneficiaries of federal employees that die as a result of a work-related injury. Medical payments are made to cover the expenses of medical services, prescription drugs, equipment and supplies incurred from treatment for illness and/or injury sustained while an employee was engaged in job-related activities. In Chargeback Year 2016, compensation payments totaled about \$2.1 billion (66%); medical payments totaled about \$1.1 billion (34%).

CHALLENGE FOR THE DEPARTMENT

The Department is challenged to effectively manage the usage and costs of pharmaceuticals in the FECA program, especially the cost of compounded drug medications, an area in which costs and fraud have rapidly escalated. The cost of prescription drugs in the FECA program rose from a reported \$183 million in FY 2011 to \$477 million in FY 2016, an increase of 161 percent. This dramatic increase was almost exclusively due to the rise in reported costs for compounded drugs which jumped from approximately \$2 million in FY 2011 to \$263 million in FY 2016, more than a hundredfold increase. Other federal programs have experienced similar increases. Billings for compounded medications are highly susceptible to fraud. Our current investigations are focusing on collusion between prescribing physicians and dispensing pharmacies. In one case alone, the OIG has identified potential fraud involving nearly \$158 million. Based on our improper payment work, the Department's lack of comprehensive analysis of medical benefit payments in the FECA program allowed these increases to go undetected, and could overlook other problems, such as the overuse of opioids. It is critical that the Department's oversight ensures prescription drugs reimbursed by the program are medically necessary, safe, effective, and obtained at a fair price.

DEPARTMENT'S PROGRESS

The Department has published a Request for Information regarding the use of a Pharmacy Benefit Manager to control costs, improve the management of treatments, and improve claimant safety. Other actions the Department is planning to take to improve its oversight of pharmaceuticals include performing reviews of questionable

providers acting in a fraudulent or abusive manner, implementing new procedures to ensure all prescription drugs were prescribed by the claimant's physician, working with its medical bill processing contractor to obtain the necessary information to verify generic drug usage, and implementing quantity limits on initial fills and refills.

Regarding compounded drugs, the Department has developed a pre-authorization process that requires physicians certify they recently physically examined the claimant, fully explain the need for a compounded drug, and certify that each ingredient in the compound is medically necessary and cost effective. This certification must be provided prior to a pharmacy providing the medication to the claimant and the Department approving payment. The Department also started requiring a certification of medical necessity by the prescribing physician prior to approving payments for compounded drugs.

In May 2017, the Department published a FECA Bulletin that prescribes how matters involving suspected fraud committed by medical providers are to be referred to the OIG by OWCP for further investigation. Since that time, the Department has used its Program Integrity Unit to identify medical providers who may have committed fraud involving the prescribing or dispensing of compounded drugs. The Department has referred numerous matters involving suspected compounded drug fraud to the OIG for further investigation.

WHAT REMAINS TO BE DONE

The Department needs to follow through on its planned actions and measure the impact of those actions on the use and cost of prescription drugs, as well as consider additional options for monitoring and managing the use and cost of pharmaceuticals. These options include ensuring timely removal of questionable providers from the FECA program, implementing drug exclusion lists for drugs and drug ingredients, implementing drug formulary lists, implementing better methods for calculating pharmaceutical payments, requiring the use of preferred pharmacy providers, pursuing inclusion under the "ceiling price" statute, and improving edit checks to identify high drug prices requiring additional review and authorization. The Department also needs to ensure it has the most appropriate pricing structure for compounded drugs. The Department should continue its efforts to identify what insurance providers and other federal, state, and local agencies are doing to manage pharmaceutical use and costs and determine what best or promising practices may be transferable. Finally, the Department must continue its efforts to identify and refer allegations involving potential fraud in the FECA program to the OIG for further investigation.

CHALLENGE: Securing and Managing Information Systems

BACKGROUND

The Department's major information systems contain sensitive information that is central to its mission and to the effective administration of its programs. Departmental systems are used to analyze and house the nation's leading economic indicators, such as the unemployment rate and the Consumer Price Index. These systems also maintain critical and sensitive data related to the Department's financial activities, enforcement actions, worker safety, health, pension, and welfare benefits, job training services, and other worker benefits. Under the Federal

Information Technology Acquisition Reform Act, in FY 2018 the Department's CIO will have oversight responsibility for information technology investments totaling an estimated \$750 million.

CHALLENGE FOR THE DEPARTMENT

Safeguarding data and information systems is a continuing challenge for all federal agencies, including DOL. Consistent with findings reported over the past ten years, in FY 2016 we identified continuing deficiencies in the areas of access controls, configuration management, and contingency planning. For the past five years, we have also reported deficiencies in third-party oversight, incident response and reporting, risk management, and continuous monitoring. Despite many previous reports that identified similar control weaknesses and improvements the Department has made in response, these deficiencies continue to exist or reoccur, and represent ongoing, unnecessary risks to the confidentiality, integrity, and availability of DOL's information. The Department has not placed sufficient emphasis or prioritized available resources necessary to address these deficiencies.

Ensuring proper management of multimillion-dollar information technology systems is also a challenge for the Department. The Department has encountered difficulties in managing its financial system due to the 2014 bankruptcy of the private-sector firm that was providing these services. The Department procured the financial system assets and entered into another interagency agreement for a federal shared services provider to assume operations and maintenance of the system at a cost of more than \$2 million per month. From July 2014 to July 2016, the Department operated under time and materials contracts to run and maintain the financial system. In July 2016, the Department entered into a \$74 million delivery order contract with some fixed price items, but 53% of the contract remains time and materials.

DEPARTMENT'S PROGRESS

The Department reported it has taken significant steps in improving its security posture. These steps included the hiring of six additional federal employees to support the security program and obtaining approval for two more positions; acquiring and beginning to implement a suite of security tools to support protect and detect capabilities; and updating the DOL Third Party Monitoring Guide. The Department also reports it is implementing Personal Identity Verification (PIV)-enforced identification and authentication, enhancing security of its wireless network, installing an unauthorized asset detection tool at DOL's headquarters to support point-in-time view of devices connected to DOL's network, and creating weekly patch and vulnerability scan reports to support patch and vulnerability management.

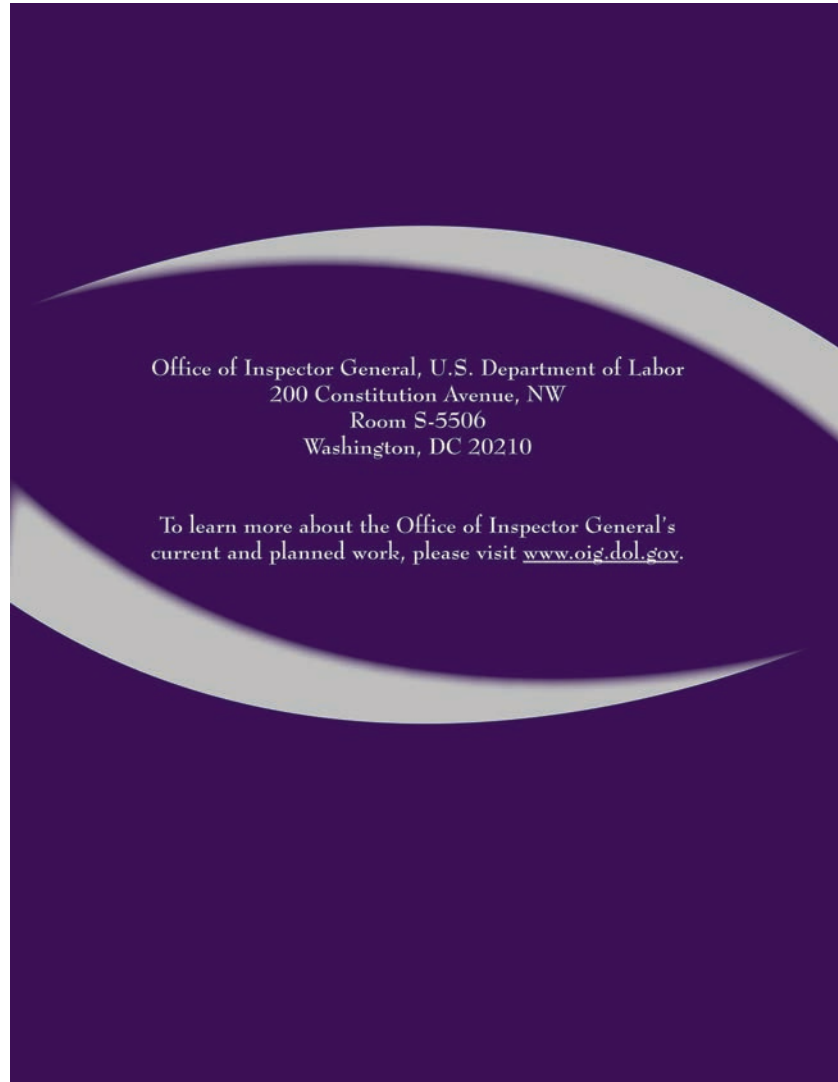
The Department has taken steps to mitigate costs associated with its financial system, including entering into a new contract in July 2016, but contended financial system operations continue to lack the certainty needed to make a firm-fixed priced agreement a reasonable and prudent choice as we recommended. The Department stated it closely monitors costs under its current agreement and will consider a firm-fixed priced agreement if and when it becomes the more cost efficient model.

WHAT REMAINS TO BE DONE

OCIO must ensure that departmental agencies prioritize available resources to implement planned actions to correct remaining deficiencies in identity and access management, configuration management, contingency planning, incident response, reporting, and monitoring of contractor systems.

Consistent with the intent of the Clinger Cohen Act and the Federal Information Technology Acquisition Reform Act, we have recommended the Department realign the position of the Chief Information Officer (CIO) to provide the CIO greater independence and authority for implementing and maintaining an effective information security program, compared to the existing structure of reporting to the Assistant Secretary for Administration and Management, the Office of the Chief Information Officer's (OCIO) largest customer. This organizational realignment would bring the CIO's placement in line with other cabinet level agencies such as the U.S. Departments of Commerce, Interior, Justice, Agriculture, and Energy.

The Department must closely monitor the operation and maintenance services of its financial system to mitigate financial and operational risks. The Department should establish a firm-fixed priced agreement with the service provider for routine operation and maintenance to assist the Department in managing its costs within budgeted amounts and reduce the need for agencies to shift funds from program-related requirements.



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Out of School, Out of Work

by Anne Kim
April 4, 2021



Credit: AP Photo/Paul Sakuma

Even before the pandemic, America's young adults were in crisis.

In 2017, as many as 4.5 million young people—or 11.5 percent of young adults ages 16 to 24—were neither in school nor working, according to the nonprofit Measure

of America. By the summer of 2020, the organization estimated, the ranks of these “disconnected” young adults had swelled to 6 million.

The pandemic has taken an outsized economic toll on young workers, who disproportionately hold jobs in hard-hit sectors such as retail, hospitality, and food service. Unemployment among 16-to-24-year-olds soared from 10 percent in March 2020 to 26 percent in April, according to the Department of Health and Human Services, with the highest rates of joblessness among Black and Latino youth.

The damage could be long-lasting. The Millennials who graduated into the Great Recession still bear economic scars, with lower employment and earnings than peers who started out in better years. The same fate will befall the COVID-19 generation, unless effective interventions put them back on track.

In theory, the federal government has a program to help.

Job Corps is the government’s largest program for disadvantaged young adults ages 16 to 24. It offers training and certification in more than 80 fields, including IT, construction, manufacturing, health care, and hospitality. The program’s website features smiling, clean-cut young people driving forklifts, cooking in chef’s whites, and fixing cars. “Job Corps provides everything you need to succeed in your education and career training,” the site promises. To be eligible for the program, students must not only qualify as low income but also have at least one barrier to education and employment, such as low literacy or homelessness. Job Corps centers provide housing and meals, along with a small allowance, a uniform, books, supplies, and dental and medical care. Tuition is free.

But just as the need for Job Corps escalated, the program ground to a halt. After the pandemic shut down its physical campuses in March 2020, the program struggled to secure laptops and internet access for students. Enrollment shrank to one-fourth of what it was before the pandemic.

The real scandal, though, is that Job Corps has performed poorly for decades—and the government has not invested in any large-scale alternative. Despite an annual budget of roughly \$1.7 billion, Job Corps served barely 41,000 students in 2019. Evaluations have found that while the program helps some young adults, teenagers get no long-term benefits in earnings or employment. Government audits have

been harsh, documenting mismanagement, safety problems, and persistent failures to place trainees into meaningful jobs. A scathing 2018 audit by the Department of Labor's inspector general concluded that the program "could not demonstrate beneficial job training outcomes." Another report, from the Government Accountability Office, noted more than 13,500 safety incidents from 2016 to 2017 at Job Corps centers, nearly half of them drug-related incidents or assaults. In 2015, two students were murdered in separate campus-related crimes.

Rather than the young people it purports to serve, Job Corps' biggest beneficiaries may be a tight-knit coterie of for-profit government contractors who administer the program, some of whom have held on to multimillion-dollar contracts for decades.

Even successful graduates call the program a last resort. "If you're really desperate and ain't got anywhere else to go, then I would do Job Corps," says 24-year-old Earvin Rogers, who enrolled at a New Jersey Job Corps center in 2017 after dropping out of community college. Rogers landed a hotel maintenance job before the pandemic, but is currently unemployed.

Rather than the young people it purports to serve, the program's biggest beneficiaries may be a tight-knit coterie of for-profit government contractors who administer the

program, some of whom have held on to multimillion-dollar contracts for decades. But in a testament to congressional inertia, the program lingers on, surviving threatened closures, resisting overhauls, and garnering enough political support to maintain its funding.

Worst of all, inattention has led to decades of underinvestment in other solutions for young people. As a result, there's no obvious large-scale alternative to Job Corps. Barring a change in course, the millions of young adults who saw opportunities evaporate during the pandemic may not get the help they need.

Launched during President Lyndon B. Johnson's War on Poverty, Job Corps now consists of 123 centers across the country, many of them in former military facilities and often in rural areas. A typical campus is the Woodstock Job Corps

Center, which sits on 64 acres of tranquil woodland in rural Maryland, about an hour from Washington, D.C. A stately, H-shaped stone building that was once the oldest Jesuit seminary in America, the center can host up to 400 students.

The purpose of this residential setting, as the program founder Sargent Shriver testified to Congress in 1964, was to “take young men from crippling environments and put them in centers where they will receive a blend of useful work, job training, and basic education.” Young people would get “a chance to escape from the cycle of poverty and to break out of the ruthless pattern of poor housing, poor homes, and poor education,” he argued.

Over the years, Job Corps has unquestionably had its share of successes. The professional boxer George Foreman, who attended the program in the 1960s, was reportedly so grateful that he repaid the federal government the cost of his enrollment.

Today, success stories include alumni like Shimira Mills. Now 28, Mills enrolled in the Pittsburgh Job Corps Center in 2017 on a cousin’s advice after a brief stint in culinary school did not launch her dream career of being a chef. Mills spent seven months living at the Pittsburgh campus, learning to be an HVAC technician. She found a job almost immediately at a small local business but has since been hired at a large residential heating and air conditioning company in Philadelphia with better pay and room for promotion. “Within the last two years, I have acquired two cars and an apartment where I’m living by myself,” Mills told me. The program, she said, gave her a second chance when she needed one. Without Job Corps, Mills continued, “If I’m going to be 100 percent honest, I would probably still be working dead-end jobs.”

Job Corps was also a lifeline for Ricky Gass. Now 24, Gass was 18 when he got involved with drugs. One day he woke up in the back of a police car. “I was smoking some bad stuff one time—I don’t even remember what happened,” he told me. Gass wanted to turn his life around, especially when he learned that he had a daughter on the way. But with only a high school diploma, the best job he could get was at the local Family Dollar. “My check was \$200 every two weeks,” he said. “It was horrible.”

In 2019, Gass enrolled at New Jersey’s Edison Job Corps Center and threw himself into his classes, learning everything from putting in electrical wiring to hanging

drywall. When one of his advisers offered him a training opportunity at a solar power company, Gass jumped at the chance and was hired soon thereafter. Today, he installs panels for Solar Landscape, a company that specializes in building large-scale solar projects in New Jersey. He is paid the industry's prevailing wage, which is currently about \$62 an hour, according to Solar Landscape's director of community engagement, Katelyn Gold. "It's a good thing I'm part of this company," said Gass, who was expecting a second child when we spoke in September. "I'm pushed every day to be better, and it's a perfect scenario where I'm at."

The defenders of Job Corps point to stories like those of Mills and Gass as proof of the program's value. But then there are students like Julea Shannon, who spent seven months at the Joliet Job Center in Illinois and earned certificates in Microsoft Word and other office software. While she told me she enjoyed the experience of living on campus ("You get to see how it is to live without your parents. It teaches you to be a mature adult," she said over chat on LinkedIn), the program didn't help her land a job. She ultimately went back to community college and earned an associate's degree in criminal justice in 2019. When I contacted her this March, however, she was still looking for work and considering more schooling.

Formal evaluations of the program are similarly mixed. Evidence shows that for older students like Mills and Gass, Job Corps can be effective. In a rigorous series of evaluations published in 2018, the research organization Mathematica found that students between the ages of 20 and 24 at the time of enrollment were 4.2 percentage points more likely to be employed 20 years later than a comparable group that did not attend. They were also 1.4 percentage points more likely to be filing taxes and 3.6 percentage points less likely to be on disability. For these students, the net benefit of Job Corps to society was about \$30,000 over the course of a participant's lifetime (in inflation-adjusted dollars), taking into account the taxes they paid on earnings, as well as savings from reductions in crime and dependency on public benefits.

But Mathematica's study told a different story about the teenagers who enroll in Job Corps—and who make up the bulk of attendees. It found no long-term gains in earnings or employment for students who started the program when they were ages 16 to 19. The study concluded that overall, Job Corps was not cost-effective. In fact, Mathematica found that even taking into account the benefits from older students' success, the net cost of Job Corps was about \$17,800 per participant (again, in inflation-adjusted dollars).

This research has one important caveat: Because it tracked the long-term fortunes of Job Corps students for up to 20 years after they left the program, its results reflect the program as it was in 1995, versus today. But little evidence indicates that Job Corps has improved dramatically since then.

The program has been a frequent target of the Department of Labor's inspector general, with dozens of audits over the years examining everything from student outcomes to contracting practices, center safety, reports of cheating, and inadequate financial oversight.

Especially damning is a 2018 audit by the IG, which found that the program couldn't demonstrate that it placed students into "meaningful jobs appropriate to their training." Out of the 50 students for whom the IG was able to track down employment histories, more than half were placed in jobs similar to what they were doing before Job Corps. One student, who worked as a retail cashier before Job Corps, spent 310 days in bricklaying training only to return to the exact same store where they had worked previously. Job Corps reported this as a "successful" graduation and placement. Among 231 students for whom wage records were documented, the median annual income was just \$12,105 in 2016—nearly \$15,000 *less* than the median income for all workers without a high school diploma.

Another audit, in 2011, found that Job Corps overstated the success of 42 percent of 17,787 job placements, with those students taking entry-level jobs unrelated to their training. Among the mismatches were "culinary students placed as pest control workers, funeral attendants, baggage porters, concierges, tour guides, telemarketers, cashiers, telephone operators . . . and file clerks."

Poor reporting and financial oversight are also consistent themes in these government investigations. In 2013, for example, the IG's office concluded that Job Corps had improperly awarded \$353 million in noncompetitive contracts to its contractors. A 2011 IG report determined that the program may have spent as much as \$164.6 million in 2010 on training for students who were not eligible to

In a testament to congressional inertia, Job Corps lingers on, surviving threatened closures, resisting overhauls, and garnering enough political support to maintain its funding.

enroll. In every year since 2006, the IG's annual report has identified Job Corps safety and program effectiveness as among the Department of Labor's "top management and performance challenges."

In fairness, the mission of Job Corps is a difficult one to make good on.

"The labor market is not very hospitable to young people without high levels of post-secondary skills," says Dan Bloom, senior vice president at MDRC, a nonpartisan policy research organization focused on social and education issues. "Put together with problems in the public schools, a harsh criminal justice [system], and a bunch of other contextual factors, and it's very difficult to change those trajectories."

Job Corps is taking on a group of young adults who are tough to reach successfully. Of the nearly 50,000 young people enrolled in Job Corps in 2018, 60 percent did not have a high school diploma or GED when they entered the program, 20 percent were receiving public assistance, and 5 percent were homeless, runaways, or in foster care. About 80 percent of Job Corps students were teens and younger adults, ages 16 to 20.

Job Corps graduate Malcolm Little, who served as student body president at the Woodstock Job Corps Center in Maryland in 2016, said many of his classmates were victims of crime or had witnessed violence.

"I met girls who were pimped out, put on drugs, folks trying to kill them," he told me. "There were other people, both male and female, who were sex trafficked and ex-drug dealers who were trying to get themselves together." Little said one young man he met in the program didn't go home to Atlanta for Christmas break because he feared for his life. "He told me the neighborhood he lived in was so bad that if he disappeared for three weeks and came back, people would assume he had been detained by the feds and snitched to get out, and that would have put a target on his back," Little said.

The prevalence of this kind of trauma means that Job Corps must serve as far more than a training program to its students if they are to succeed. "They need mental health, they need physical

For older students, the program can be effective. But for teenagers, who make up the bulk of Job Corps attendees, rigorous evaluations show no long-term gains in earnings or employment.

health, they need medications,” says Tony Staynings, who is now the director of the Potomac Job Corps Center in Washington, D.C., but was a consultant to the program when we spoke. “There’s a whole element to the delivery of service that the average person looking from the outside doesn’t understand.”

On the one hand, the expectations placed on the Job Corps program are arguably unreasonable. No career and education program can, on its own, salvage the fortunes of young people whose lives have been shaped by deep-rooted systemic poverty. A young person’s disconnection from the economic mainstream is the end result of subpar schools, a dearth of jobs, and, often, neighborhoods beset by violence.

On the other hand, it’s not unreasonable to question the efficacy of a more than 50-year-old approach to training and education that has so far delivered decidedly mixed results. Particularly deserving of scrutiny is Job Corps’ residential model. While it’s the program’s signature feature, it’s also its central weakness, especially during a pandemic.

When schools and colleges across the country shut down in March 2020, Job Corps centers followed suit, sending home or finding other housing for 30,000 students, according to a July 2020 IG report on the program’s COVID-19 response. About 450 students with nowhere else to go stayed on campus. The program switched to remote learning in May and began working to supply students with laptops, tablets, and internet access. My repeated inquiries to the Department of Labor last fall on the status of the remote learning plans went unanswered, and there has been no data published publicly on the number of students who received a laptop or were accessing remote instruction. But as of the July IG report, the transition had not been completed. It still hadn’t been finished as of October 2020, according to a person I spoke with who has knowledge of the matter but was not authorized to talk.

The Job Corps program came nearly to a standstill in the fall of 2020. Just 9,138 students enrolled nationwide in all of 2020. By the end of February 2021, however,

Job Corps centers were in the process of returning students to campus. Though the question of whether the program ever successfully transitioned to online is now effectively moot, it is still unclear how—or whether—the program can recover the students it lost.

Proponents of Job Corps' residential model argue that living on campus can provide students with a clean break from negative influences in their lives. "It's good for people who need a safe place," Malcolm Little said.

"The folks who come to Job Corps need to be there in order to succeed," says Grace Kilbane, who served two separate stints as the national director of Job Corps, most recently under President Barack Obama. "I met students who were homeless or had aged out of foster care and had nowhere to go," she told me. "That need has not gone away—if anything, it's gotten greater."

Yet the residential model is a major driver of the program's expense as well as its persistent problems with safety and security. "Centers do what they can to create a positive culture," says Jeffrey Turgeon, who worked for nearly five years at a Job Corps center in Massachusetts and is now the executive director of the MassHire Central Region Workforce Board. "But any time you've got a bunch of young people, especially young people who are at risk and haven't been successful in the past, they're going to come with whatever baggage or drama they bring with them."

Shimira Mills, the Job Corps graduate who is now an HVAC technician, said discipline was a big part of life on campus, which she described as having a "boot camp type of vibe." "We got graded on a day-to-day basis on how our rooms were and chores that we had to complete every morning and every evening," she said. "If you've ever been to boot camp, they had the same system. Or jail—whichever one." Unlike a college campus, days were strictly regimented. Students woke up at 6 a.m.; breakfast was at 7; classes began at 8.

Many of her classmates did not make it through the program, Mills said. Her roommate was expelled after getting into a fight with another student. Other students were kicked out after failing drug tests, which are part of Job Corps' "zero-tolerance" policy toward alcohol and drugs. Of the 45,173 "separations" (graduations or other departures) from Job Corps in 2018, 65 percent of students left for jobs or the military and around 7 percent went on to further education,

implying that the remaining 28 percent either left without completing the program or graduated without a meaningful placement.

Both Mills and Little said their rooms were searched from time to time. “Every once in a while I’d come back and all my stuff from my dresser and my closet would be on the bed,” Little said.

The former student Ricky Gass was among a minority of students who commuted to his Job Corps center every day. Unlike most centers, which are located in rural or out-of-the-way areas, the Edison Job Corps center he attended in New Jersey was reachable by public transportation, and Gass had child care obligations for his daughter. “Sometimes I felt like I wanted to be on campus, but if I was staying there I would have possibly gotten into a lot of different situations—like females, the drama. There was a lot of testosterone,” he said. “Some situations I was shielded from by not being there on campus.”

Phillip-Matthew Golden, who taught at the Woodstock Center in Maryland for four years, told me he witnessed a significant amount of turnover among the staff who managed the dorms. “They handled a lot of volatile situations,” he said. “They tried really hard, they really cared, but it was hard to keep people there.”

On occasion, that volatility has spilled over into violence. In August 2015, four students at the Homestead Job Corps Center near Miami were arrested and charged with hacking to death a 17-year-old fellow student with a machete and then setting his body on fire. Earlier that year, a 20-year-old student at the St. Louis Job Corps Center was arrested for allegedly shooting and killing another student in the dorms. Between 2007 and 2016, the GAO found, Job Corps centers reported 49,836 safety and security incidents, including 6,541 incidents involving drugs and 9,299 assaults.

The need to maintain safety is just one reason why the program’s residential model is expensive. There are also more prosaic concerns, such as meals, laundry, water and electricity bills, and building maintenance.

Job Corps operates on what is essentially a franchise model—much like McDonald’s—where a central office dictates the operation of individual centers in conformity with a single standard. Just like how every McDonald’s must make its fries in exactly the same way, Job Corps contractors are obligated to deliver

education, training, and residential services that are standardized across the program's 123 centers. With the exception of roughly two dozen centers run by the U.S. Forest Service, private contractors are effectively Job Corps franchisees.

Center specifications are spelled out in a more than 1,000-page "Policy and Requirements Handbook," which governs every aspect of center operation, including recruitment and screening of prospective students; curriculum; discipline; placement services; and tracking of performance metrics. Contractors must, for instance, have written plans for "blood borne pathogens," "respiratory protection," and "hearing conservation" (to protect students' hearing). Meal service is prescribed in exacting detail. "Meals shall be planned using a minimum of a 28-day cycle cafeteria menu," the handbook dictates. Students must be offered, for example, "five choices of fresh or frozen vegetables and/or fruits," and "low-fat and/or fat free milk and dairy alternatives and water."

The expectations placed on the program are arguably unreasonable. No career and education program can, on its own, salvage the fortunes of young people whose lives have been shaped by deep-rooted systemic poverty.

The intent of this specificity is consistency across centers (although in truth, performance reports issued by the Department of Labor show that centers vary widely in quality). The downside is that few contractors can comply with the complexity and sheer scale of the Job Corps requirements. As a result, a relatively small number of companies, mostly for-profit, effectively hold a monopoly on the operation of centers.

Some of the biggest players in this fraternity are conglomerates that run Job Corps centers as one of several lines of business. Among these is Job Corps' largest contractor, the Utah-based for-profit Management & Training Corporation, or MTC, which operates five detention centers for ICE, 21 correctional facilities, and 22 Job Corps centers, according to its website. For other companies, running Job Corps is their only business. Adams and Associates, Inc., for example, runs 14 centers, and the Career Systems Development Corporation runs 12 centers, according to their websites. Another private company, MINACT, runs centers in

seven states.

The universe of Job Corps contractors is strangely opaque. The National Job Corps Association, the trade association for Job Corps contractors, does not disclose its membership. When I reached out to MTC for an interview, I received this email reply from their managing director of corporate communications, Issa Arnita:

Hi,

We are not conducting interviews. I would recommend you contact the Department of Labor which administers the Job Corps program.

(The Labor Department, as noted above, did not respond to multiple requests for comment.) MTC's website does not include a page with the names and bios of its executive team. The same is true of Adams and Associates.

What is clear, however, is that Job Corps contracts involve big money. Career Systems Development, for instance, was awarded a \$99.6 million contract in 2019 to run the San Diego Job Corps Center. MTC has won almost \$305 million in contracts just since 2017. Among the contracts awarded to Adams and Associates is a deal to run the Grafton Job Corps Center in Massachusetts, worth nearly \$53 million. Many of these companies have been reeling in lucrative Job Corps contracts for years, if not decades. MINACT, for example, opened shop in 1978 when its founder "successfully competed for the company's first Job Corps Center contract," according to its website. Career Systems Development notes on its site that it was one of Job Corps' original contractors when the program launched in 1964. It still runs 13 sites today.

Unlike a college campus, days at Job Corps are strictly regimented. Students wake up at 6 a.m.; breakfast is at 7; classes begin at 8.

One result of having so few players is that much of Job Corps' business gets awarded under noncompetitive contracts, which puts the government at the risk of overpaying for services. In one 2019 report, the GAO found that Job Corps was running 68 of 97 centers in 2016 under "bridge contracts"—either noncompetitive extensions of

expired contracts or short-term noncompetitive contracts. In 42 of those cases, contracts were awarded to companies that had *already lost* their Job Corps contracts and were formally protesting the decision. The result was that these companies were able to squeeze hundreds of thousands of contract dollars from the government while their protests were being resolved.

But could the federal government do a better job if it ran the centers directly instead of relying on contractors? Likely not. While a few of the centers still run by the Forest Service are among the best performers, others have been among the worst. In 2014, the Labor Department shut down the Treasure Lake Job Corps center, located within a national wildlife refuge in Oklahoma and run by the Forest Service. The closure came after years of underperformance in which fewer than half of the enrolled students finished their training and barely half of graduates found jobs.

Despite Job Corps' flaws, politics, inertia, and the lack of scalable alternatives have all conspired to maintain the status quo. Every state has a center, which has helped the program maintain congressional favor. NJCA, the Job Corps contractors' trade association, has a small political action committee that makes donations to congressional campaigns. It also maintains the Congressional Friends of Job Corps Caucus, which boasts 89 members from across the ideological spectrum, according to the NJCA's currently available list.

Part of the program's political stickiness is that Job Corps centers are often an important source of local employment. "In rural areas or in a smaller town, [Job Corps] is a player in town," said one former senior Labor Department official who asked not to be identified in order to preserve their current relationships with members of Congress. "They have jobs, and it's something people are proud of in those communities."

As a result, members of Congress can be reluctant to challenge the program. For example, this former official told me of one instance where a member refused to entertain the idea of closing a poorly performing center. "We said, 'Look, we're going to have to close it. It's not good for the students, and I wouldn't send my own kid there,' but the congressperson pushed really hard not to close it," the official said. "They really loved having it in their community."

In 2019, the Trump administration proposed closing or privatizing the 25 centers

run by the Forest Service, which would have resulted in the layoff of more than 1,100 federal employees in eight states. The plan, however, quickly ran into bipartisan opposition, and was scrapped in a matter of weeks.

Progressive advocates who know that the Job Corps system is flawed are also loathe to criticize it for fear of handing conservatives an excuse to kill the program and cut funding for an already neglected area of policy. Given that low-income young adults aren't a powerful political constituency, advocates say it's unlikely that money taken from Job Corps would be redirected toward other youth-serving programs.

Nevertheless, the crisis young Americans are currently facing requires a better solution. Soaring youth unemployment rates should serve as an impetus for the program's reform—and for substantial investment in new approaches. Sargent Shriver's vision of a second chance for young people in poverty is more relevant today than it has ever been. But young Americans deserve more and better than Job Corps.

There are some obvious short-term reforms to the program, such as targeting it to the older students who benefit the most. "They should tilt it more toward 20-to-24-year-olds, and if it's effective for that group they should grow it," says Harry Holzer, a labor economist at Georgetown University. Job Corps could also open more commuter campuses to benefit students like Ricky Gass, who have child care or other obligations that make living on campus impossible.

The larger priority, however, is to dramatically expand investment in pilot programs and new approaches that show promise.

More money, for instance, should be going to expand apprenticeships, which are effective and relatively inexpensive. "There aren't a lot of substitutes for getting young people to work in real employment situations with real supervisors, real mentors, and a real occupational goal," says Robert Lerman, an economist at the Urban Institute. A well-structured

apprenticeship, Lerman says, could cost the federal government as little as \$5,000 per participant, given that employers pick up much of the tab.

More funding could also go to programs like Year Up, which trains students for careers in IT, sales, software development, and more, and places them in paid internships with mentoring and other support. Since its founding in 2000, the organization has enrolled more than 29,000 students, and reports an average starting salary of \$42,000 for its graduates. Also promising is the National Guard Youth Challenge Program, a boot camp-style residential program that has achieved relatively strong results among 16-to-18-year-olds—the group that Job Corps has failed to benefit. Evaluations find that graduates earned, on average, 20 percent more than non-attendees and were 86 percent more likely to go on to college.

Job Corps should reorient toward the older students who benefit the most. Meanwhile, the federal government should dramatically expand investment in new approaches that show promise.

None of these programs, however, is a panacea. In the post-pandemic economy, it's unclear how many employers will be able to afford to hire apprentices. Apprenticeships also tend to be selective programs that favor job-ready applicants, as is also the case with Year Up. Only 28 states offer the National Guard Challenge Program, and its military focus isn't for everyone.

In an ideal world, young adults would have a robust set of choices to help them reconnect to school and work. "Young people need a myriad of options, and certain strategies are going to work better for certain circumstances," Chekemba Fulmore-Townsend, president and CEO of the Philadelphia Youth Network, told me. The problem today is that there are too few options, most of them underfunded or—like Job Corps—inadequate, while the demand for assistance has exploded. "Did the pandemic stress an already stressed system?" Fulmore-Townsend asked. "Absolutely."

Recently, the Reconnecting Youth Campaign, a coalition of youth advocacy organizations, called for a dramatic expansion of funding for youth programs, including \$500 million for the Corporation for National and Community Service, which runs AmeriCorps, and \$5.5 billion for summer jobs and paid work experience programs.

These investments would be a good start, but they are long overdue. As Congress and the Biden administration work to rebuild the economy, they need to ensure that the nation's young people aren't left behind.

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[Whereupon, at 12:45 p.m., the Subcommittee was adjourned.]

