UNITED STATES DEPARTMENT OF LABOR

Agency Financial Report

FISCAL YEAR 2017

Table of Contents

This report can be found on the Internet at www.dol.gov/dol/aboutdol/.

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Management's Discussion and Analysis

Our Mission:

To foster, promote, and develop the welfare of the wage earners, job seekers, and retirees of the United States; improve working conditions; advance opportunities for profitable employment; and assure work-related benefits and rights.

The Department of Labor's (DOL or the Department) annual Agency Financial Report (AFR) provides fiscal data and summary performance results that enable the President, Congress, and American people to assess the Department's accomplishments for each fiscal year (October 1 through September 30). This report provides an overview of programs, accomplishments, challenges, and management's accountability for the resources entrusted to the Department. The AFR is prepared in accordance with the requirements of Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*.

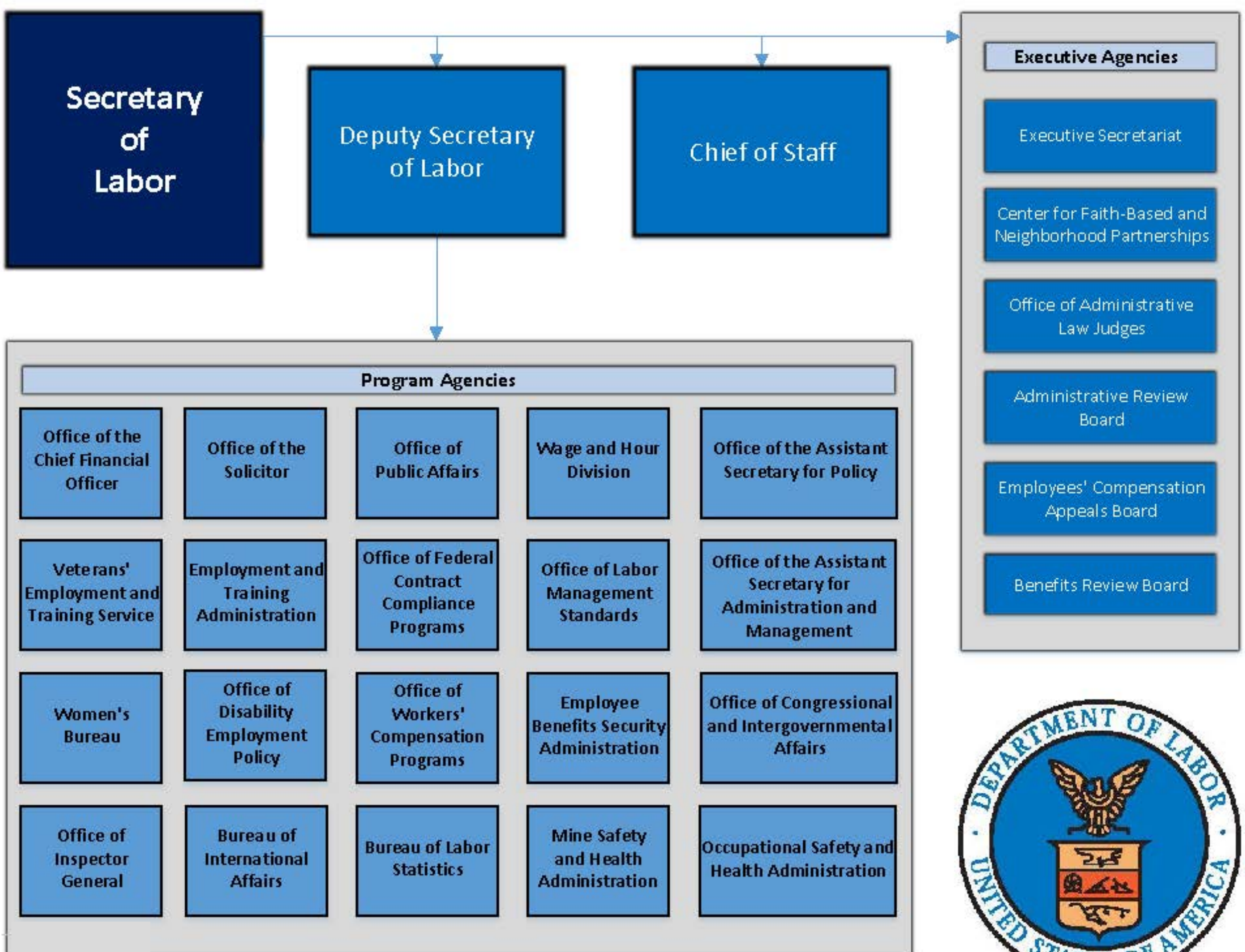
Mission Statement and Organizational Structure

DOL's mission remains as relevant today as at the Department's founding in 1913:

> "*To foster, promote, and develop the welfare of the wage earners, job seekers, and retirees of the United States; improve working conditions; advance opportunities for profitable employment; and assure work-related benefits and rights*."

The Department accomplishes this mission through component agencies and offices that administer various statutes and programs. These programs are carried out through a network of regional offices and smaller field, district, and area offices, as well as through grantees and contractors.

US Department of Labor Organizational Chart



U.S. Department of Labor Headquarters: Frances Perkins Building

DOL Headquarters, Frances Perkins Building
Washington, D.C., USA

Program Performance Overview

The Program Performance Overview discusses the Department's key performance measures and program priorities. This section includes results for measures related to spending as reported in the following Financial Section. Performance results for outcome measures reported under the Government Performance and Results Act are included in the *Annual Performance Report*, which will be published by February 6, 2018 with the FY 2019 Congressional Budget Justification. These reports will be posted at *http://www.dol.gov/dol/aboutdol/#budget*.

The Program Performance Overview broadly organizes DOL program agencies into three categories that report FY 2017 performance data. The Department's mission is also supported by administrative, policy, legal, public affairs, and Congressional liaison offices.

Employment and Statistical Programs
Employment and Training Administration (ETA) Veterans' Employment and Training Service (VETS) Office of Disability Employment Policy (ODEP) Women's Bureau (WB) Bureau of Labor Statistics (BLS)
Worker Protection Programs
Occupational Safety and Health Administration (OSHA) Mine Safety and Health Administration (MSHA) Wage and Hour Division (WHD) Office of Federal Contract Compliance Programs (OFCCP) Bureau of International Labor Affairs (ILAB) Office of Labor-Management Standards (OLMS)
Compensation and Benefits Programs
Office of Workers' Compensation Programs (OWCP) Federal-State Unemployment Insurance (UI) Program (administered by ETA) Employee Benefits Security Administration (EBSA)

The following section presents a brief description of the programs administered by each agency, a brief statement of forward-looking information, and the most recent results for key performance measures. The Department tracks performance through over 400 output and outcome measures. The selected measures below are most representative of agency activities.

EMPLOYMENT AND STATISTICAL PROGRAMS

Employment and Training Administration (ETA)

ETA provides employment assistance, labor market information, and job training through the administration of programs authorized by the Workforce Innovation and Opportunity Act (WIOA) for adults, youth, dislocated workers, and other targeted populations. Additionally, ETA administers the Job Corps program; Trade Adjustment Assistance (TAA) program; Employment Services (ES), authorized under the Wagner-Peyser Act; Foreign Labor Certification activities; the Community Service Employment for Older Americans program (CSEOA); and Apprenticeship programs. Grants monitoring is a major component of ETA's grants management function. All ETA grants are monitored throughout their period of performance requiring a substantial amount of human capital and financial resources.

Percent of Grants Monitored Annually by Regional Offices – Staff in the six ETA Regional Offices monitor grants to ensure compliance with federal statutes and regulations and assess performance progress through enhanced desk monitoring reviews and on-site monitoring reviews. WIOA underscores the importance of strategic efforts and strong communication with our federal partners. ETA is working with its federal partners to ensure technical assistance and monitoring activities are coordinated, as appropriate. ETA monitored 27.83% of all active grants assigned to the regions in FY 2017, exceeding the target of 26%. This outcome includes all monitoring that resulted in a monitoring report, whether on-site or Enhanced Desk Monitoring Review (EDMR).

Looking Forward: As of October 1, 2017, ETA has a total of 2,439 active grants with a total funding portfolio of $21.9 billion; 2,085 grants are assigned to 233 regional FTE and 354 grants assigned to approximately 16 FTE in the national office. In light of workload demands, ETA will continue to work towards the FY 2018 grant monitoring target of 26% in FY 2018.

Veterans' Employment and Training Service (VETS)

VETS is committed to meeting the employment and training needs of veterans, transitioning service members, and eligible spouses - especially those with significant barriers to employment. VETS also focuses on connecting employers across the country with work-ready veterans. VETS' mission is to prepare America's veterans, service members, and their spouses for meaningful careers, provide them with employment resources and expertise, protect their employment rights, and promote their employment opportunities. One focal point on preparing America's veterans for meaningful careers is the Homeless Veterans' Reintegration Program (HVRP). HVRP addresses the needs of one of the most vulnerable populations of veterans, those who are homeless or at risk of homelessness. HVRP provides employment and training services to homeless veterans, equipping them with the skills to gain meaningful employment. VETS has increased the grant ceiling for each HVRP grantee to $500,000 to aid them in serving a complex and vulnerable population with barriers to employment. The target population of this grant program requires specialized services to include supportive services that are costly. VETS achieved 98% of its target with an HVRP participant job placement rate of 67%.

VETS is also responsible for administering the Uniformed Services Employment and Reemployment Rights Act (USERRA) program, which protects civilian job rights and benefits for active duty service members, veterans, and members of the National Guard and Reserves. USERRA provides anti-discrimination provisions that prohibit employers from taking adverse actions against any current or prospective employee, due in part to those individuals' past, present, or future military service, status, or obligations. To provide prompt resolution for both claimants and employers, VETS assesses the percent of closed USERRA cases meeting the agency's quality standard and customer satisfaction of USERRA cases. VETS FY 2017 performance exceeded previous year's performance with a result of 99.0%, against a 97.0% target. VETS is currently assessing other agencies' metrics and quality assessment procedures in an effort to consider alternative methods to gauge the quality of USERRA investigations and referrals. In FY 2017, VETS worked closely with the Office of the Solicitor and Department of Justice (DOJ) to develop and implement a new Memorandum of Referral template that includes sections requiring VETS investigators and reviewers to ensure that relevant evidence is obtained to support conclusions reached in the investigations before they are referred to DOJ. Additionally, VETS is developing an improved interactive Quality Assurance Review (QAR) mechanism, which will better reflect actual performance and quality in investigations, as well as ensure proper supervisory review of those cases. VETS is no longer including the USERRA timeliness metric in this report as VETS has consistently maintained high levels of case closures and is now focusing efforts on continuous improvements for quality and efficiency.

Looking Forward: In FY 2018, VETS will continue to measure HVRP success by using the job placement metric in conjunction with average hourly wages of those job placements. One key to assisting this population is to provide quick job placement into a career path with sustainable wages. VETS will continue to work closely with the Office of the Solicitor to explore ways to engage with regional solicitors earlier in the USERRA investigation process to ensure issues are being identified and investigated. The revised QAR has undergone a three-month field test in two regions, and following Solicitor review VETS anticipates that it will be implemented in early FY 2018.

Veterans' Employment and Training Service (VETS)						
Measure	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Percent of USERRA Closed Cases Meeting the Agency's Quality Standard (Annual)	83.3%	83.4%	91.5%	91.7%	95.5%	99.0%

Office of Disability Employment Policy (ODEP)

ODEP uses data and evidence to promote the adoption and implementation of policy strategies and effective practices to increase the number and quality of job opportunities for people with disabilities. Based on research and evaluation, ODEP develops or identifies effective policy and practices, conducts outreach to share this critical information, and provides technical assistance to all levels of government and employers to aid them in adoption and implementation.

In FY 2017 ODEP monitored "Policy Outputs" as a key performance measure using a revised definition from previous years and implemented two new key performance measures, "Implementation Tools" and "Analyses, Research and Evaluation." ODEP issued 43 "Policy Outputs," against a target of 23, which include documents recommending or implementing a significant policy change or an interpretation of existing policy related to disability employment. ODEP issued 147 "Implementation Tools," which are technical assistance and informational materials developed to aid entities in adopting and implementing proven practices.

ODEP has produced a steady stream of policy outputs, capitalizing on interest by states in implementing effective practices that prioritize competitive, integrated employment and an increased interest by employers in hiring people with disabilities spurred by new regulations. In FY 2017, the majority of ODEP's resources were invested in developing implementation tools and policy guidance, providing technical assistance, and conducting outreach to support the implementation of legislations such as the Workforce Innovation and Opportunity Act (WIOA), as well as Section 501 and Section 503 of the Rehabilitation Act. ODEP's implementation tools remain critical to the successful adoption and implementation of the referenced legislation and regulations. Additionally, ODEP continued working with states to promote the adoption of implementation tools and policies through its State Exchange on Employment and Disability initiative.

Looking Forward: In FY 2018, ODEP will research Stay-at Work/Return-to-Work (SAW/RTW) policies and practices and begin a project to build evidence for what works in retaining employees or bringing them back to work after a temporary absence due to occupational, as well as non-occupational illness and/or injury. ODEP plans to work with states that are interested in adopting systemic changes that facilitate retention and return-to-work rates after a temporary work disability.

Women's Bureau (WB)

WB conducts research to formulate practices and policies aimed at increasing equal economic and employment opportunity and advancement for working women and their families. WB identifies trends, data gaps, policy and programmatic needs, and strategic interventions necessary to safeguard the interest of working women. These efforts allow the WB to inform and educate individuals and organizations at the local, state, and national levels about the issues facing women in the labor force.

In 2017, WB oversaw a research study, conducted by the Urban Institute, quantifying the economic impact on women providing unpaid caregiving for children, elders, and family members with disabilities. Additionally, WB published a comprehensive catalog of women's employment rights; updated its web-based map identifying state-level pregnancy discrimination and accommodation and workplace lactation protections; and updated its online compendium of information on federal and state-level equal pay and pay transparency protections for workers. WB also developed a brief guide to WIOA for individuals and organizations concerned with women's economic security. The guide details strategies for ensuring that WIOA is a reliable and consistent vehicle for low-income women's access to the education, training, and support services they need to succeed.

Looking Forward: In FY 2018, WB plans to examine how the costs of child care affect women's labor force participation using county-level data. WB will also disseminate research findings on the effects of providing informal care on women's long-range financial security. WB will continue to work with the CEO on its five-year evaluation of the American Apprenticeship Initiative, which involves testing an intervention related to outreach to and recruitment of women into apprenticeship programs. Additionally, WB will collaborate with ETA and VETS to support ETA's grant work on state licensing and promote employment for military spouses.

Bureau of Labor Statistics (BLS)

BLS is the principal federal statistical agency responsible for measuring labor market activity, working conditions, and price changes in the economy. Its mission is to collect, analyze, and disseminate some of the nation's most sensitive and important economic data to support public and private decision-making. BLS serves the general public, the U.S. Congress, DOL and other federal agencies, state and local governments, and business and labor by providing data products that are accurate, objective, relevant, timely, and accessible, as well as technical assistance and consulting services. Policies and decisions based on BLS data affect virtually all Americans, and the wide range of BLS data products is necessary to fulfill the diverse needs of a broad customer base.

BLS strives to ensure that its data products are readily accessible to its customers through the internet, most commonly through www.bls.gov, and meet users' needs. BLS uses the average number of website page views to track the dissemination of its data. In addition, BLS uses the ForeSee Experience Index (FXI), formerly known as the E-Government Satisfaction Index (EGSI), to measure customer feedback with its website. The FXI survey prompts users for feedback while they are on the www.bls.gov website regarding the extent to which the website meets their needs. BLS uses these results to improve the website, to better serve its stakeholders, and to measure mission achievement.

In FY 2017, BLS reached 100 percent of the underlying timeliness, accuracy, and relevance targets (each set at 100%) for all of its Principal Federal Economic Indicators (PFEIs). BLS experienced fewer average website page views when compared to FY 2016, averaging approximately 15.5 million page views each month. BLS scored slightly lower in the FXI when compared to FY 2016, with a year-end score of 75.

Looking Forward: BLS will continue to report timeliness, accuracy, and relevance for its PFEIs, track dissemination of its website, and measure customer satisfaction with its website. BLS also will continue to evaluate its targets in the interest of continuous improvement.

Bureau of Labor Statistics (BLS)						
Measure	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Percentage of Timeliness Targets Achieved for the Principal Federal Economic Indicators (PFEIs).	100%	100%	100%	100%	100%	100%
Percentage of Accuracy Targets Achieved for the PFEIs.	100%	100%	95%	100%	100%	100%
Percentage of Relevance Targets Achieved for the PFEIs.	90%	100%	100%	100%	100%	100%
Average Number of BLS Website Page Views Each Month (Dissemination)[1]	--	--	17,423,845	16,965,254	16,324,885	15,514,973
Customer Satisfaction with the BLS Website Through the ForeSee Experience Index (Mission Achievement)[2]	77	77	77	75	76	75

1 In FY 2015, BLS replaced its dissemination measure due to a change in software. The FY 2014 result is shown for trend comparison purposes.
2 In FY 2017, the E-Government Satisfaction Index (EGSI) was renamed to the ForeSee Experience Index (FXI). FXI Score is calculated on a 100 point scale.

WORKER PROTECTION PROGRAMS

Occupational Safety and Health Administration (OSHA)

OSHA is authorized by the Occupational Safety and Health Act of 1970 (OSH Act) to assure safe and healthful conditions for working men and women by setting and enforcing standards and providing training, outreach, education, and technical assistance. OSHA aims to reduce the number of work related illnesses, injuries, and fatalities and contributes to the broader goal to promote competitiveness of America's economy. The most recent data for key measures of OSHA's activity – the number of safety and health inspections – are presented in the table below.

Safety inspections conducted in general industry and construction take place in a variety of high-hazard industries. Health inspections are conducted in general industry and construction and address chemical, biological, physical, and ergonomic hazards.

Preliminary results show there was a slight increase in Safety Inspections to 26,516 in FY 2017. The preliminary number for completed Health Inspections is 5,767, which is below the number of previous years' inspections. OSHA continued to allocate significant enforcement resources to respond to employer-reported incidents in accordance with OSHA's severe injury reporting (SIR) requirements. These requirements stem from the Occupational Injury and Illness Recording and Reporting Requirements--NAICS Update and Reporting Revisions regulation which took effect January 1, 2015. The SIR increased the number of employer-reported referrals, as employers must now report hospitalizations of one employee or more and any fatality to the Agency. OSHA addressed these reports through either unprogrammed inspections or non-formal rapid response investigations (RRI). This activity reduced the time and resources available for previously programmed inspection activity, which prioritized high hazard industries or focused emphasis program related inspections. Preliminary data indicates the RRI activity increased unprogrammed workload by adding almost 7,700 non-formal investigations for FY 2017.

OSHA administers the whistleblower protection provisions of Section 11(c) of the OSH Act. Section 11(c) prohibits any person from discharging or in any manner retaliating against any employee because the employee has exercised rights under the OSH Act. Also, OSHA protects workers from retaliation through 21 other whistleblower protection statutes; this includes reported violations of various airline, commercial motor carrier, consumer product, environmental, financial, food safety, health care, nuclear, pipeline, public transportation agency, railroad, maritime, and securities laws. In FY 2017, according to preliminary data, OSHA completed 3,347 whistleblower investigations, exceeding the targeted 2,900 investigations, awarding more than $28 million to complainants including 81 reinstatements.

Looking Forward: In FY 2018, OSHA's effort to promote Safety and Health Programs (SHP) and move employers along the path to safety excellence will unite the various programmatic components of the agency in a common, proactive, and positive message addressing the agency's core mission. Companies that adopt a SHP improve both their safety culture and safety performance. In addition, OSHA cooperative program participants often reach stakeholders that OSHA may not otherwise interact with through dissemination of safety and health information locally, within their company, or industry. OSHA will also refine current enforcement strategies and implement new programs to target inspection resources to the most egregious employers and serious hazards.

Occupational Safety and Health Administration (OSHA)						
Measure	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Number of Safety Inspections	33,580	31,948	29,356	28,903	25,704[r]	26,516[p]
Number of Health Inspections	7,381	7,280	6,818	6,917	6,244[r]	5,767[p]

[r] Indicates revised result from the FY 2016 AFR.
[p] Indicates preliminary result.

Mine Safety and Health Administration (MSHA)

MSHA protects the safety and health of the nation's miners under the provisions of the Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response (MINER) Act of 2006. MSHA focuses on the prevention of death, disease, and injury from mining and on promoting safe and healthful workplaces for America's miners.

MSHA is required to conduct four inspections annually at active underground mines and two inspections annually at active surface mines. The table below shows the number of inspections conducted by mine type. Fluctuations in the number of inspections over time reflect variation in the number of mines operating during any given year. In FY 2017, MSHA met its target, performing all mandated inspections at coal and metal and nonmetal mines (MNM).

Looking Forward: MSHA will use the following strategies in pursuit of achieving this target: increasing inspection and enforcement effectiveness, strengthening and modernizing training and education, strengthening health and safety regulations, and increasing efforts to protect miners from discrimination.

Mine Safety and Health Administration (MSHA)						
Measure	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Number of Regular Mandated MNM Underground Inspections	850	857	964	862	905	883
Number of Regular Mandated Coal Underground Inspections	2,308	2,068	1,657	1,642	1,342	1,220
Number of Regular Mandated MNM Surface Inspections	15,770	15,767	15,289	15,656	15,642	16,073
Number of Regular Mandated Coal Surface Inspections	2,809	2,590	2,519	2,350	1,753	2,042

Wage and Hour Division (WHD)

WHD is responsible for administering and enforcing laws that establish the minimum standards for wages and working conditions. WHD enforces and administers the minimum wage, overtime and child labor provisions of the Fair Labor Standards Act (FLSA); the prevailing wage requirements and wage determination provisions of the Davis Bacon Act (DBA) and Related Acts (DBRA), Service Contract Act (SCA), Contract Work Hours and Safety Standards Act (CWHSA), Walsh-Healey Act, and Copeland Act; the wages and working conditions under the Migrant and Seasonal Agricultural Worker Protection Act (MSPA); the Family and Medical Leave Act (FMLA); and the Employee Polygraph Protection Act (EPPA). WHD also enforces the field sanitation and temporary labor camp standards in agriculture and certain employment standards and worker protections of the Immigration and Nationality Act (INA). Collectively, these labor standards cover most private, state, and local government employment. They protect over 135 million workers in more than 7.3 million establishments throughout the U.S. and its territories.

WHD prioritizes resources by using an evidence-based, multi-pronged approach to improve compliance including compliance assistance to employers, investigations in high-violation industries, engagement and education of private and public stakeholders, and the use of communications tools. WHD focuses on (1) prioritizing industries with the greatest compliance problems, and (2) developing strategies that impact compliance. In FY 2017, WHD increased the results for "Percent of Agency-Initiated Investigations," reaching the highest percentage (51% against a 46% target) in recent history. Data show that agency-initiated investigations and the strategic use of enforcement resources have achieved positive results for low-wage workers and result in a greater deterrent effect.

"Percent of Agency-Initiated Investigations in Priority Industries" and "Percent of Complaint Investigations in Priority Industries" reflect WHD's commitment to prioritizing enforcement resources in those industries with the most serious violations rather than burdening compliant employers with investigations that do not uncover compliance problems. The increased level of agency-initiated investigations, as well as prioritization of complaints, has increased the agency's presence in those priority industries that have a history of violations. WHD's performance has led to significant outcomes. In the last 5 years, WHD has helped more than 1.3 million workers and recovered more than $1.2 billion dollars in back wages. In FY 2017 alone, WHD collected over $270 million in back wages. WHD enforcement actions in FY 2017 found, on average, more than $1,120 for each employee due back wages.

Looking Forward: To protect fair and vigorous competition, WHD addresses compliance issues systemically and prevents violations through compliance assistance to reach a broader audience. The combination of compliance assistance and enforcement increases compliance with the laws. Moving forward, WHD is focused on the challenge of advancing effective enforcement while identifying areas for increased efficiency. To ensure a level playing field for all employers, WHD will conduct its business smarter and more effectively by assessing existing evidence and generating new knowledge to achieve agency goals. Compliance assistance to the employer community is a central component of WHD's efforts to meet its mission and the demand for accessible information about the laws WHD enforces remains high. WHD will expand on efforts to modernize compliance assistance information and reach and inform a broader audience.

Office of Federal Contract Compliance Programs (OFCCP)

OFCCP ensures that nearly 200,000 Federal contractor establishments provide equal employment opportunity leading to a fair and diverse workplace. OFCCP administers and enforces three legal authorities: Executive Order 11246, as amended; Section 503 of the Rehabilitation Act of 1973, as amended; and the Vietnam Era Veterans' Readjustment Assistance Act (VEVRAA) of 1974, as amended. Together, these legal authorities prohibit discrimination and require Federal contractors and subcontractors to take affirmative action to ensure that all individuals have an equal opportunity for employment, without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, disability, or status as a protected veteran. Additionally, federal contractors and subcontractors are prohibited from, under certain circumstances, taking adverse employment actions against applicants and employees for asking about, discussing, or sharing information about their pay or the pay of their co-workers.

OFCCP's compliance evaluations and complaint investigations play a critical role in assessing Federal contractor compliance with legal obligations under these authorities. Since 2009, OFCCP has refocused its efforts almost exclusively from systemic hiring discrimination on the basis of sex or race in low-wage jobs to systemic compensation discrimination to ensure workers also receive equal pay without discrimination. This includes placement into lower paying jobs due to gender stereotyping. To accomplish this, OFCCP gradually reduced its case production to focus on fewer, but more complex high quality cases that span a wide variety of industries and job occupations. OFCCP also invested in training front-line compliance officers and managers to carry out this mission.
With this strategy, OFCCP closed 1,142 compliance evaluations in FY 2017 that included $23.9 million in financial remedies for 11,653 victims of discrimination (e.g., hiring, pay, promotion, etc.). Also in FY 2017, OFCCP completed 79% of construction evaluations from high-impact construction projects that have a significant employment and economic impact on communities across the country. Moreover, 93% of the agency's compliance evaluations were free of major deficiencies that could otherwise impact the ability to identify discrimination or failure to engage in affirmative action. This is against a 95% target.

Looking Forward: In FY 2018, OFCCP will rebalance the agency's mix of scheduling and conducting compliance evaluations, and delivering compliance assistance. This is essential to OFCCP's long-term success as a civil rights agency. OFCCP will explore new ways and launch new initiatives to encourage all contractors to voluntarily meet their mandatory compliance obligations. In addition, OFCCP will seek to implement a scheduling process for compliance evaluations that focuses on industries or sectors that have a greater likelihood of having compliance issues. And, when compliance evaluations are conducted, they will be efficient and thorough, and appropriately transparent.

Bureau of International Labor Affairs (ILAB)

When other countries fail to enforce their labor laws or abide by other trade-related labor commitments, or allow exported goods to be produced through child labor, forced labor, or in other exploitative labor conditions, business in those countries receive an unfair subsidy that can undermine the competitiveness of goods made in the United States. ILAB pursues a comprehensive strategy to promote a level global playing field for American workers and businesses by improving labor conditions around the world. ILAB seeks to make trade fair for U.S. workers and businesses; combat abusive child labor, forced labor, and human trafficking; and improve global labor standards.

ILAB's goal is to support quality job creation in the United States by ensuring U.S. trade agreements and preference programs are fair for American workers; combating international child labor, forced labor, and human trafficking; and improving global working conditions. ILAB has four main cross-cutting strategies for achieving this goal: (1) monitoring, evaluating, and publicly reporting on countries' compliance with international labor standards and related trade commitments, including international labor standards; (2) developing, advocating for, and negotiating policy positions that advance U.S. interests both domestically (e.g., in U.S. government interagency groups) and internationally (e.g., in the G20, International Labor Organization, Organization for Economic Cooperation and Development, and United Nations); (3) undertaking technical assistance and cooperative activities to strengthen implementation of international labor standards and reduce the exploitation of vulnerable workers and children in key countries, including evaluating technical assistance and cooperative activities to provide lessons learned and best practices to the Department of Labor and the international community; and (4) conducting and disseminating research on various international labor, trade, and economic issues and conditions.

Looking Forward: In FY 2018, ILAB will pursue a multifaceted strategy to promote workers' rights and strengthen cooperation and collaboration with key countries and international organizations. ILAB will also continue to ensure trade partners comply with their commitments and continue to strengthen labor law enforcement so that U.S.

workers are not placed at a competitive disadvantage. ILAB engages in a variety of negotiating, monitoring, enforcing, reporting and research activities with partners and stakeholders in key countries.

Office of Labor-Management Standards (OLMS)

OLMS protects the rights of American workers by administering the Labor-Management Reporting and Disclosure Act (LMRDA) and related laws, which safeguard union democracy and financial integrity, and promote financial transparency.

OLMS focuses audit resources by using advanced targeting techniques to identify the labor unions most likely to be subject to a violation of the law. The success of audit targeting strategies is measured by Percent of Targeted Audits that Result in a Criminal Case (Fallout Rate). Since the implementation of this performance measure, OLMS has increased the fallout rate from 13.8% to 18.75% between FY 2012 and FY 2017. Timely resolution of union election complaints is a paramount goal of the LMRDA, and OLMS gauges its progress against this goal through the "Average Number of Days to Resolve Union Officer Election Complaints" measure. From FY 2012 to FY 2017, OLMS has reduced the average number of days per case from the target and previous year's outcome of 71 days to 64.7 days.

OLMS is also making it easier for unions, employers, and consultants to file the financial and activity reports required under the LMRDA, and tracks the success of these efforts through the "Percent of Disclosure Reports Filed Electronically" measure. OLMS continues to use existing outreach tools (e.g., seminars, compliance assistance incidental to an audit, and its Voluntary Compliance Partnership program (VCP) to introduce web-based forms and encourage union leaders and other filers to use them.

Looking Forward: For the fallout measure, OLMS will continue to refine the targeting techniques to continue saving resources directed at audits and redirecting these saved resources to high priority programs. OLMS continues to enhance efforts to coordinate work between the National Office, SOL, and field staff by identifying new means of communications and extending existing channels to more efficiently process election cases. In the past, these efforts have expedited processing and OLMS believes the number of elapsed days can be further reduced. In FY 2016, OLMS published a regulation that will require filers of LM-3 and LM-4 reports to do so electronically. Once fully implemented in FY 2019, over 80 percent of reports will be required to be filed electronically and electronic filing will be available for 85 percent of the full volume of reports expected to be filed.

COMPENSATION AND BENEFITS PROGRAMS

Office of Workers' Compensation Programs (OWCP)

OWCP provides workers' compensation benefits through four programs: the *Federal Employees' Compensation Act (FECA) Program* provides wage-loss compensation, payment for medical treatment, and return-to-work assistance for federal employees who are injured or ill on the job; the *Longshore and Harbor Workers' Compensation Act (Longshore) Program* oversees the delivery of benefits by private sector employers and insurance carriers to injured workers in certain maritime and related employment, and to federal government contractors working overseas; the *Black Lung Benefits Act (Black Lung) Program* oversees or provides compensation and medical benefits to coal miners who are totally disabled due to pneumoconiosis; and the *Energy Employees Occupational Illness Compensation Program Act (Energy Program)* provides compensation and medical benefits to employees or survivors of employees of the Department of Energy (DOE) and contractors or subcontractors of DOE, who worked on the nuclear weapons program and became ill due to exposure to radiation or toxic substances.

The FECA program provides disability management intervention and rehabilitative and placement services to assist with injury recovery and to facilitate the return-to-work of the individuals who sustained an injury or illness. There was an unfavorable decline in re-employed injured workers due, in part, to the expiration of the Presidential

Memorandum that established the POWER Initiative. This resulted in less focus on return-to-work efforts by federal agencies.

A major aspect of the Longshore program focuses on ensuring that employer injury reports and first payment of benefits are timely. The percentage of first payments of compensation issued for non-Defense Base Act cases within 30 days from the date disability begins has increased from 85 percent in FY 2012 to 88 percent in FY 2017, which exceeded the 86% target.

The Black Lung program experienced a significant increase in the number of claims filed in FY 2010, another surge in FY 2014, and claims volumes remained high through FY 2017. As incoming claims continued to climb, staffing remained level and the pending claims continued to age. The Black Lung program focused on processing older pending claims in FY 2016 and FY 2017, so the average time to process a Black Lung claim rose from 273 days in FY 2015 to 334 days in FY 2016 and 332 days in FY 2017. In FY 2017, the program issued 7,072 Proposed Decisions and Orders, a record high since FY 2006. The Black Lung program also continued to pursue quality initiatives for issuing accurate decisions.

The Energy program works closely with DOE, the Department of Justice, the Social Security Administration, and the National Institute for Occupational Safety and Health (NIOSH) to issue claim decisions. The average number of days between filing date and final decision for cases not sent to NIOSH when a hearing was not held was reduced from 177 days in FY 2012 to 169 days in FY 2017 (exceeding the FY 2017 target of 170 days); this measure accounts for approximately 70 percent of all claims.

Looking Forward: In FY 2018, OWCP will continue development of the OWCP Workers' Compensation System (OWCS), an integrated claims processing and management system for all four programs. OWCP expects the Longshore program to begin using OWCS by the end of 2018. OWCP will continue to use data analytics and process improvement strategies to manage the pending Black Lung claims, improve stakeholder partnerships and data sharing, and recruit and train credentialed physicians available for diagnostic examinations.

Federal-State Unemployment Insurance (UI) Program (administered by ETA)

The Federal-State UI Program, authorized under the Federal Unemployment Tax Act and Title III of the Social Security Act, provides temporary, partial wage replacement for eligible unemployed workers, providing them with income support when suitable work is unavailable. To qualify for benefits, unemployed workers must meet eligibility requirements established by state laws that conform to federal law, including that they have worked recently, are involuntarily unemployed, are able and available for work, and are actively seeking work. The "Total Unemployment Rate" of 4.2% in FY 2017 is calculated using Bureau of Labor Statistics data. It is the sum of the (not seasonally adjusted) unemployment level for October through September divided by the sum of the (not seasonally adjusted) labor force level for October through September.

One of the key measures for this program, "First Payment Timeliness" (Percent of All Intrastate First Payments Made within 21 Days after the Last Day of the First Compensable Week) has a preliminary FY 2017 result of 84.4%. The FY 2017 result is an improvement over previous year's results and ETA will continue efforts to increase timeliness.

In FY 2017, using the states' performance on the first payment timeliness core measure data, ETA worked with all states failing to meet the performance standard by requiring corrective action plans to achieve first payment timeliness in their State Quality Service Plans. In addition, using the new methodology for designating "High Priority" states, ETA selected three states with the poorest overall performance to provide them intensive technical assistance in FY 2018 and increased monitoring to support performance improvement. Please refer to UI Program Letter No. 17-16 for details on the selection criteria for these "High Priority" states:
https://wdr.doleta.gov/directives/attach/UIPL/UIPL_17-16.pdf.

Looking Forward: In FY 2018, ETA UI staff will work with "High Priority" states to develop comprehensive Corrective Action Plans (CAPs) designed to improve performance. Examples of ETA's customized technical assistance strategies to support performance improvement for the poor performing states include:

- Work collaboratively with the state(s) to conduct enhanced analysis of all relevant data (including performance data) to inform strategic approaches to performance improvement. The data analysis may also involve examining data in similarly situated states.
- Deploy a team of experts composed of ETA and state subject matter experts, to conduct a thorough review of each High Priority state's administrative and business processes relevant to the poor performance using business process analysis and process mapping tools, resulting in recommendations and an action plan the state will implement.
- Engage high-level state officials to bring focus to the egregious performance and promote prioritizing state resources to support performance improvement.
- Conduct enhanced monitoring and follow-up that may include additional reporting by the state in area of performance deficiency and on-site visits by ETA or partnering with state staff to assess process changes.

In FY 2018, ETA launches the new UI benefits operations state self-assessment process which will aid states in identifying and addressing operational issues impacting performance. The new process involves a comprehensive review of 15 functional and program areas within UI benefits operations.

ETA, in collaboration with the National Association of State Workforce Agencies' Information Technology Support Center (ITSC), continues to diligently work with individual states and state consortia to provide appropriate technical assistance in support of their information technology modernization efforts. Pending availability of funding in future years, ETA will continue to support the states' system modernization efforts.

Employment and Training Administration - Unemployment Insurance						
Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Total Unemployment Rate	9.2%	6.7%	5.5%	4.8%	4.5%	4.2%
First Payment Timeliness (Unemployment Insurance)	82.6%[r]	80.6%[r]	79.3%[r]	83.3%[r]	84.1%	84.4%[p]

[r] Indicates revised result from the FY 2016 AFR.
[p] Indicates preliminary result.

Employee Benefits Security Administration (EBSA)

EBSA is charged with protecting more than 149 million workers, retirees and their families who are covered by nearly 685,000 private retirement plans, 2.2 million health plans, and similar numbers of other welfare benefit plans. Together, these plans hold estimated assets of $9.6 trillion. EBSA's proactive enforcement, outreach and education programs protect the most vulnerable populations while ensuring broad compliance with the Employee Retirement Income Security Act of 1974 (ERISA) and related laws. EBSA assists plan fiduciaries and others in understanding their obligations under ERISA by providing interpretive guidance and making related materials available through its website and publications, training programs, and more. EBSA is also committed to helping workers and retirees understand their benefits and receive the benefits they have earned. The primary objectives of EBSA's enforcement program are to improve ERISA compliance by recovering losses and unjust profits stemming from misconduct by plan fiduciaries and service providers and to increase the deterrent impact of the agency's enforcement efforts on employee benefit plans, participants and beneficiaries.

EBSA's enforcement program, within the context of its integrated approach to compliance assistance, seeks to detect and correct violations that result in monetary recoveries for employee benefit plans, participants and beneficiaries or in other corrective remedies including, but not limited to, significant broad-based reforms for large plans or common service providers. In FY 2014, EBSA developed measures designed to increase the effectiveness of its enforcement program while avoiding reliance on raw case numbers. As a result, EBSA replaced its cases closed measures in FY 2015 with three measures that track investigation timeliness. EBSA's FY 2017 results met or exceeded results from FY 2015 and FY 2016, as well as FY 2017 targets, for these measures. Both civil and criminal investigations exhibited greater efficiencies than expected. EBSA focused its FY 2017 enforcement resources on National Enforcement Projects and the Major Case Enforcement Priority. The Major Case Enforcement Priority concentrates a significant portion of the agency's enforcement resources on those cases likely to have the greatest impact on the protection of plan assets and participants' benefits.

Looking Forward**:** In FY 2018, EBSA will continue to assist individuals in understanding their rights and responsibilities under ERISA. In particular, the agency's participant assistance and outreach and education programs will focus on disseminating information related to health and retirement benefit protections and retirement savings education. EBSA will also continue to implement performance measurement changes designed to increase the effectiveness of its enforcement program. The following overlapping and related attributes will be emphasized: effective targeting, prompt detection and pursuit of violations; the successful pursuit of monetary recoveries; non-monetary results that promote compliance with ERISA; and the aggressive and timely pursuit of participant tips and complaints.

Financial Performance Overview

Sound financial management is an integral part of the Department's efforts to deliver services and administer programs. With the Department's emphasis on internal controls, accurate financial information delivery to key decision makers, and transparent and accountable reporting, the Department's stakeholders can be confident that resources are used efficiently and effectively.

DOL implemented the FY 2016 requirements of OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control (revised July 15, 2016),* and the Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government (revised September 2014)*. DOL's internal control program and centralized processes for reporting financial data help to ensure the relevance and reliability of financial performance data. DOL's comprehensive internal control program has the objective of providing, on a continuing basis, reasonable assurance that all financial, non-financial, performance, statistical records, and related reports are reliable. DOL's internal control program helps ensure that appropriate internal controls are in place for financial performance management and that agencies institute sound, effective internal control policies and procedures for financial performance measurement and regular evaluation of their processes. Financial performance is evaluated during comprehensive ongoing financial management reviews and corrective actions are implemented as required to resolve audit findings and increase efficiency. These business processes help to ensure that reported financial performance information is relevant and reliable.

In FY 2017 and FY 2016, DOL used managerial cost accounting for costing programs and performance indicator results in accordance with the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Standards and Concepts*, as amended by SFFAS No. 30, *Inter-Entity Cost Implementation*. The statements outline the standards for Federal entities to provide "reliable and timely information on the full cost of Federal programs, their activities, and outputs." This information can be used to allocate resources and evaluate program performance. Managerial cost accounting directly supports the sections of the AFR that address Net Program Cost in the Statements of Net Cost. Total Net Cost of DOL activities was $49.7 billion for FY 2017 and $48.7 billion for FY 2016.

Analysis of Financial Statements and Stewardship Information

The principal financial statements summarize the Department's financial position, net cost of operations, and changes in net position, and provide information on budgetary resources and social insurance.

Figure 1: Summary of Selected Financial Data for FY 2017 and FY 2016

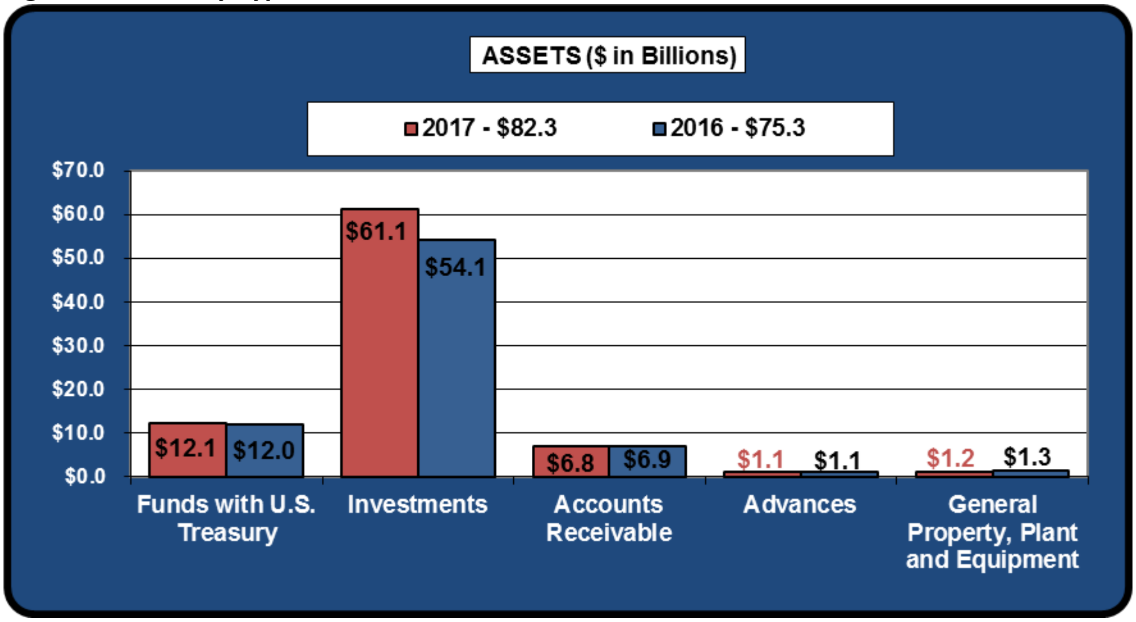
Summary of Selected Financial Data

(Dollars in billions)	2017	2016	Change: Amount	Change: Percent
Financial position				
Total assets	$ 82.3	$ 75.3	$ 7.0	9.3%
Funds with U.S. Treasury	12.1	12.0	0.1	0.8%
Investments	61.1	54.1	7.0	12.9%
Total liabilities	$ 33.4	$ 34.8	$ (1.4)	(4.0)%
Debt	8.4	14.3	(5.9)	(41.3)%
Future workers' Compensation benefits	2.6	1.9	0.7	36.8%
Energy employees occupational illness compensation benefits	19.7	15.4	4.3	27.9%
Net cost of operations				
Net cost of operations	$ 49.7	$ 48.7	$ 1.0	2.1%
Income maintenance	41.0	39.8	1.2	3.0%
Employment and training	6.1	6.3	(0.2)	(3.2)%
Budgetary resources				
Appropriations (discretionary and mandatory)	$ 45.3	$ 47.6	$ (2.3)	(4.8)%
Agency outlays, net (discretionary and mandatory)	44.8	46.5	(1.7)	(3.7)%

Financial Position

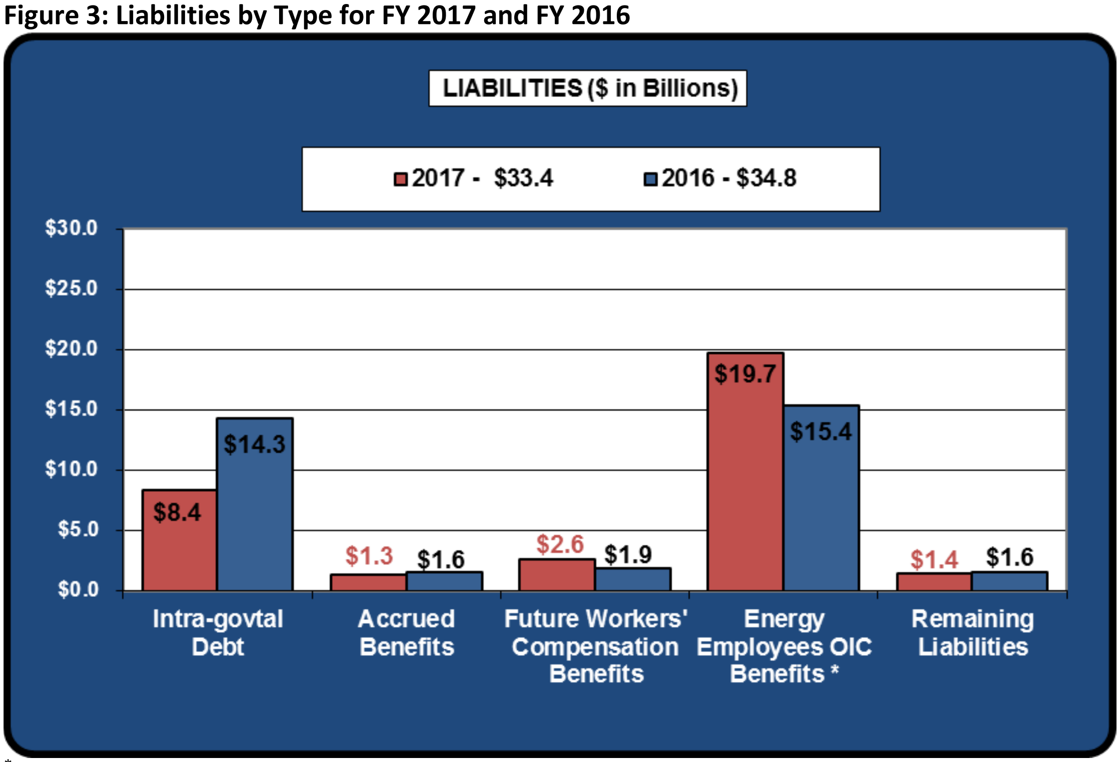
The Department's Balance Sheet presents DOL's financial position through the identification of agency assets, liabilities, and net position, as shown below. The Department's total assets increased from $75.3 billion at the end of FY 2016 to $82.3 billion at the end of FY 2017, an increase of 9.3%, primarily due to an increase in investments. Investments increased primarily due to net inflows in the Unemployment Trust Fund (UTF) in excess of immediate program needs for benefit payments and administrative costs. (See **Figure 2** on next page for reported Assets by Type for FY 2017 and FY 2016.)

Figure 2: Assets by Type for FY 2017 and FY 2016



Liabilities decreased from $34.8 billion at the end of FY 2016 to $33.4 billion at the end of FY 2017, a decrease of $1.4 billion [(4.0)%]. This decrease was due to a combination of factors, including a decrease in intra-governmental debt of $5.9 billion [(41.3)%], offset by an increase in future workers' compensation benefits of $0.7 billion [36.8%] and an increase in Energy employees occupational illness compensation benefits of $4.3 billion [27.9%]. The decrease in intragovernmental debt was due to Unemployment Trust Fund (UTF) repayments of borrowings from the General Fund of the Treasury as tax collections by the states exceeded the requirements of benefits payments. The increase in future workers' compensation benefits was primarily due to the increase in projected benefits under the War Hazards Compensation Act. The increase in the Energy employees occupational illness compensation benefits was primarily due to the increase in medical inflation assumptions.

Figure 3: Liabilities by Type for FY 2017 and FY 2016

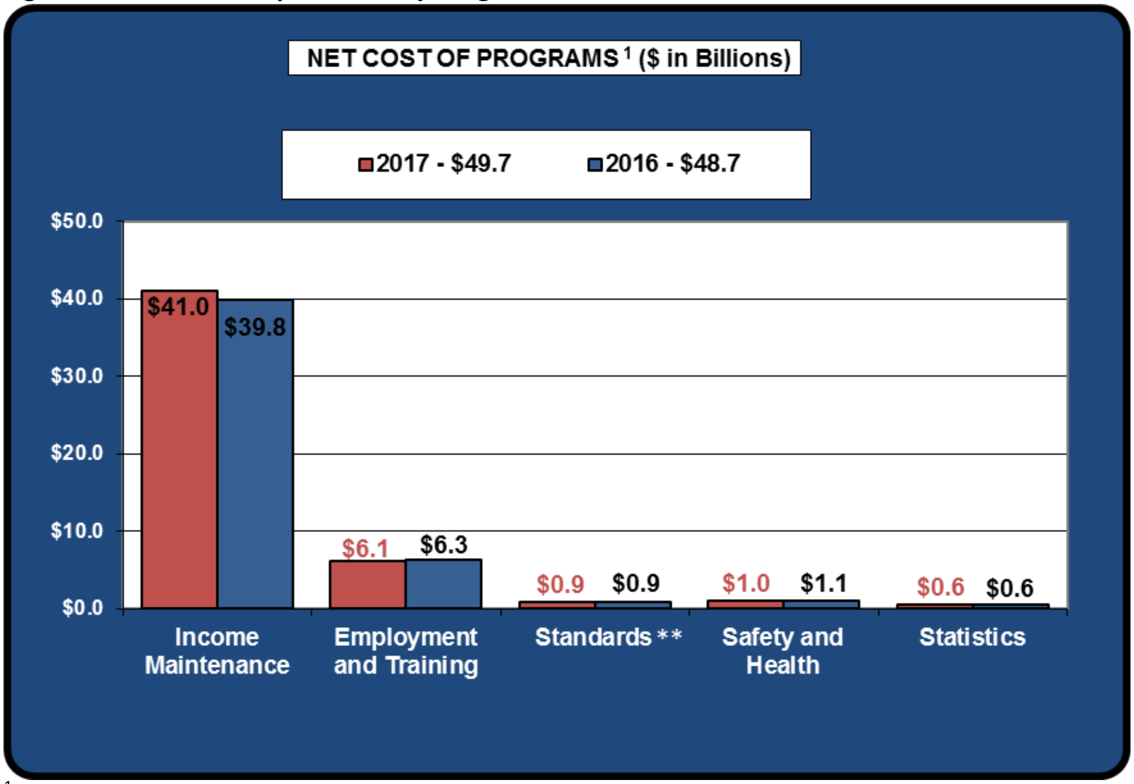


* OIC = Occupational Illness Compensation.

Net Cost of Operations

The Department's net cost of operations for the year ended September 30, 2017, was $49.7 billion, an increase of $1.0 billion [2.1%] from FY 2016. This increase was attributable to the increases in program costs discussed below:

Figure 4: Net Cost of Operations by Program for FY 2017 and FY 2016



[1] The Department's Net Cost of Programs include costs not assigned to specific programs, which were $0.02 billion and $0.02 billion for FY 2017 and FY 2016, respectively.

**Represents Labor, Employment, and Pension Standards.

Income Maintenance programs continue to comprise the major portion of departmental costs. These programs include unemployment benefits paid to covered individuals who are out of work and seeking employment, as well as payments to individuals who qualify for disability benefits due to injury or illness suffered on the job, and the costs to administer these programs. Income maintenance net costs were $41.0 billion in FY 2017, an increase of 3.0% from FY 2016. This increase was primarily due to costs for increases in projected benefits under the workers' compensation program (for War Hazards Compensation Act) and Energy employees occupational illness compensation program, offset by decreases in costs for unemployment insurance benefits.

Employment and Training programs comprise DOL's second largest cost. These programs are designed to help individuals deal with the loss of a job, identify new occupational opportunities, find training to acquire different skills, start a new job, and make long-term career plans, as well as connect employers to workers with the skills they need. Employment and training costs were $6.1 billion in FY 2017, a decrease of 3.2% from FY 2016.

Budgetary Resources

The Statements of Budgetary Resources report the budgetary resources available to DOL to effectively carry out the activities of the Department during FY 2017 and FY 2016, as well as the status of these resources at the end of each fiscal year. During FY 2017, total budgetary resources decreased $2.2 billion or (3.7)% from $58.8 billion to $56.6 billion, primarily due to the decrease in appropriations of $2.3 billion or (4.8)%. Agency outlays, net decreased by $1.7 billion or 3.7% primarily due to lower outlays, gross as a result of lower outlays for unemployment benefits.

Social Insurance and the Black Lung Disability Benefit Program

FASAB has classified the Black Lung Disability Benefit Program as a social insurance program that is required to report a Statement of Social Insurance (SOSI) and a Statement of Changes in Social Insurance Amounts (SCSIA) for the Black Lung Disability Trust Fund (BLDTF); these are sustainability statements.

The SOSI reports for the projection period (which begins on the September 30 valuation date of the reporting year) for current and new participants (the open group), the open group measure, which is the present value of estimated future coal excise tax income, less the present value of estimated future administrative costs and the actuarial present value of future benefit payments. For the SOSI as of September 30, 2013, 2014, 2015, and 2016, the projection period had a fixed terminus of September 30, 2040. In FY 2017, DOL revised the projection period from the fixed terminus to a rolling 25-year projection period that begins on the September 30 valuation date; the revised projection period became effective for the September 30, 2017 valuation date and the rolling 25-year projection period ends September 30, 2042.

For the five years presented in the SOSI, the open group measure has decreased significantly from $4.6 billion as of September 30, 2013 to $31.0 million as of September 30, 2017. The decrease in the open group measure is primarily due to the decrease in the present value of estimated future coal excise tax income, which depends on, among other things, the business and regulatory environment of the coal industry. Assumptions that, among other things, lead to favorable conditions for energy sources that compete with coal will reduce coal's market share; lower demand for coal will lead to lower collections of excise taxes.

Figure 5: Black Lung Disability Benefit Program - Table of Key Measures for FY 2017 and FY 2016

Black Lung Disability Benefit Program – Table of Key Measures				
			Change	
(Dollars in millions)	**2017**	**2016**	**Amount**	**Percent**
Financial position				
Total assets	$ 144.7	$ 108.8	$ 35.9	33.0%
Less: total liabilities	(5,755.4)	(5,713.2)	(42.2)	0.7%
Net position (assets net of liabilities)	$ (5,610.7)	$ (5,604.4)	$ (6.3)	0.1%
Costs and changes in net position				
Net cost of operations	$ (370.6)	$ (339.5)	$ (31.1)	9.2%
Total financing sources	364.4	379.3	(14.9)	(3.9)%
Net change of cumulative results of operations	$ (6.2)	$ 39.8	$ (46.0)	(115.6)%
Social insurance				
Open group measure, beginning of year	$ 890.0	$ 1,596.7	$ (706.7)	(44.3)%
Open group measure, end of year	$ 31.0	$ 890.0	$ (859.0)	(96.5)%

The increase in the total assets of $35.9 million [33.0%] was due to a higher Funds with Treasury balance as of September 30, 2017. The increase in the net cost of operations for the year ended September 30, 2017 of $(31.1) million [9.2%] from FY 2016 was primarily due to an increase in benefit payments to claimants. FY 2017 total financing sources decreased $(14.9) million [(3.9)%] from FY 2016 mainly due to a decrease in tax collections. The resulting net change of cumulative results of operations for FY 2017 was $(6.2) million, a decrease of $(46.0) million [(115.6)%] from FY 2016.

Liabilities increased $42.2 million [0.7%] at the end of FY 2017 due to an increase in debt. The increase in debt is important because it demonstrates that although the BLDTF repaid debt of $1.3 billion, the debt balance increased due to additional borrowing of $1.285 billion and accrued interest of $55.7 million as of September 30, 2017.

In FY 2017, the open group measure decreased by $(859.0) million primarily due to projected lower coal excise tax revenues and projected higher costs of beneficiaries as a result of, among other things, projected higher costs for new participants. In FY 2016, the open group measure decreased by $(706.7) million primarily due to projected lower coal excise tax revenues and higher administrative costs, offset in part due to the change in interest rates used to discount the cash flows from 2.25% in FY 2015 to 1.63% in FY 2016.

The total of open group measure plus fund assets as of September 30, 2017 represents a projected net positive cash flow that may be used to liquidate the liabilities of the BLDTF. As of September 30, 2017, the open group measure plus fund assets is $175.7 million whereas the BLDTF debt and interest maturing on September 30, 2018 is $1.86 billion and the carrying value of all BDLTF debt as of September 30, 2017 is $5.74 billion. The excess of BLDTF debt over the open group measure plus fund assets together with the fund deficit of $(5.61) billion represent a material concentration of risk for the Department.

Refer to Notes 1-W, 1-Y, and 21, and Required Supplementary Information (RSI) for additional information on the SOSI, including the summary section; SCSIA; the Black Lung Disability Benefit Program; its reported activity and balances; and projections and sensitivity analysis in constant dollars through 2042.

Limitations on the Principal Financial Statements

As required by the Government Management Reform Act of 1994 (31 U.S.C. 3515(b)), the principal financial statements report the Department's financial position and results of operations. While the statements have been prepared from the Department's books and records in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are a component of the U.S. Government, a sovereign entity, and that liabilities reported in the financial statements cannot be liquidated without legislation providing resources to do so.

Financial Management Systems and Strategy

The Department maintains and enhances financial management systems, processes, and controls that ensure financial accountability, transparency, and provides information to DOL's decision makers that complies with Federal laws, regulations, and policy. As part of these responsibilities, the Department maintains New Core Financial Management System (NCFMS), the system of record for the Department's financial activities.

In FY 2017, the Department worked with the Unified Shared Services Management (USSM) office, under the U.S. General Services Administration (GSA), using the Modernization and Migration Management (M3) framework, to plan for the migration of NCFMS to a Federal Shared Services Provider (FSSP). The M3 framework is the successor to the Treasury Office of Financial Innovation and Transformation (OFIT) Federal Agency Migration Evaluation (FAME) process. The Department completed the first two phases of the M3 framework to USSM's satisfaction but as a result of a change in direction by USSM, further efforts to convert to a FSSP were postponed.

In FY 2018, NCFMS will continue to be used to support DOL's finance and accounting activities. The Department will work with the USSM office on implementing a government-wide Software as a Service (SaaS) solution for financial management.

Management Assurances

Federal Managers' Financial Integrity Act of 1982

The Department of Labor's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). DOL conducted an assessment of its internal controls over the effectiveness and efficiency of operations as well as compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, DOL can provide reasonable assurance that its internal controls over operations are operating effectively and efficiently and are in compliance with applicable laws and regulations as of September 30, 2017. A material weakness was identified during the FY 2017 financial statement audit related to the improvement needed in estimate reviews. DOL agrees with the financial statement audit material weakness and expects to implement corrective actions in FY 2018.

In addition, DOL conducted an assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, DOL can provide reasonable assurance that its internal controls over financial reporting as of June 30, 2017, were operating effectively. No material weaknesses were found in the design or operation of the internal control over financial reporting, except for the subsequent auditor identified improvement needed in estimate reviews. DOL is also in conformance with Section 4 of FMFIA.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are substantially in compliance with Federal financial management systems requirements, Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. All DOL financial management systems substantially comply with FFMIA as of September 30, 2017.

R. Alexander Acosta
Secretary of Labor

Edward C. Hugler
Deputy Assistant Secretary for Administration and Management

Geoffrey Kenyon
Principal Deputy CFO

November 15, 2017

Financial Section

KPMG LLP
Suite 12000
1801 K Street, NW
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Independent Auditors' Report

Secretary and Inspector General
U.S. Department of Labor

Report on the Financial Statements

The accompanying financial statements of the U.S. Department of Labor (DOL) comprise the consolidated financial statements and the sustainability financial statements. We have audited the consolidated financial statements, which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of net cost, and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

We have audited the 2017 sustainability financial statements, which comprise the statements of social insurance as of September 30, 2017, 2015, 2014, and 2013; and the related notes to the 2017 sustainability financial statements.

Further, we were engaged to audit the 2016 sustainability financial statements, which comprise the statement of social insurance as of September 30, 2016, the statement of changes in social insurance amounts for the year ended 2016, and the related notes to the 2016 sustainability financial statements. We were also engaged to audit the statement of changes in social insurance amounts for the year ended September 30, 2017 and the related notes to this financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of the consolidated financial statements and the 2017 sustainability financial statements in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the 2017 sustainability financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the 2017 sustainability financial statements.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the 2016 sustainability financial statements or the statement of changes in social insurance amounts for the year ended September 30, 2017.

Basis for Disclaimer of Opinion on the 2016 Sustainability Financial Statements and the Statement of Changes in Social Insurance Amounts for the Year Ended September 30, 2017

As described in Note 1.W.2, DOL refined its methodology for estimating future excise tax income in fiscal year 2016. DOL was unable to provide sufficient analyses or other documentation to evidence that its methodology and certain underlying assumptions used in the determination of the present value of estimated future excise tax income for the current and new participants and related balances in the accompanying 2016 sustainability financial statements were prepared and fairly presented in accordance with U.S. generally accepted accounting principles. Therefore, we were unable to obtain sufficient, appropriate audit evidence for the present value of estimated future excise tax income for the current and new participants and related balances.

Because the present value of estimated future excise tax income for current and new participants as of September 30, 2016 enters into the determination of the changes in social insurance amounts, we were unable to determine whether any adjustment might have been necessary in respect to the changes in assumptions about excise tax revenues and the changes in assumptions about interest rates amounts reported in the statement of changes in social insurance amounts for the year ended September 30, 2017.

Disclaimer of Opinion on the 2016 Sustainability Financial Statements and the Statement of Changes in Social Insurance Amounts for the Year Ended September 30, 2017

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the U.S. Department of Labor's social insurance information as of September 30, 2016 and its changes in social insurance amounts for the years ended September 30, 2017 and 2016. Accordingly, we do not express an opinion on the sustainability financial statements as of and for the year ended September 30, 2016 and the statement of changes in social insurance amounts for the year ended September 30, 2017.

Opinions on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Labor as of September 30, 2017 and 2016, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Also, in our opinion, the 2017 sustainability financial statements referred to above present fairly, in all material respects, the U.S. Department of Labor's social insurance information as of September 30, 2017, 2015, 2014, and 2013, in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Notes 1-W and 1-Y to the financial statements, the sustainability financial statements are based on management's assumptions. These sustainability financial statements present the actuarial present value of DOL's future expenditures to be paid to or on behalf of participants, the present value of estimated future income to be received from excise taxes, and the present value of estimated future expenditures for administrative costs during the projection period. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligation as they come due. The statements of social insurance and changes in social insurance amounts are based on income and benefit formulas in current law and assume that scheduled benefits will continue after the related trust fund is exhausted. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable. In preparing the sustainability financial statements, management considers and selects assumptions and data that it believes provide a reasonable basis to illustrate whether current law or policy is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures, and sustainability. Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material. Our opinion on the 2017 sustainability financial statements is not modified with respect to this matter.

KPMG

Other Matters

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the *Agency Financial Report* to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements, or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information in the Other Information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2017, we considered the DOL's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DOL's internal control. Accordingly, we do not express an opinion on the effectiveness of the DOL's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in Exhibit I and II, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in Exhibit I to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Exhibit II to be significant deficiencies.

Had we been able to perform all of the procedures necessary to express an opinion on the 2016 sustainability financial statements, the statement of changes in social insurance amounts for the year ended September 30, 2017, and the related notes to these financial statements, other matters involving internal control may have been identified and reported.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DOL's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 17-03.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the DOL's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Other Matters: On September 21, 2017, DOL's Office of Inspector General (OIG) issued report number 26-17-002-03-370, in which it concluded certain violations of the *Antideficiency Act* (ADA) had occurred related to the Job Corps' operations funds for program years 2012 and 2013. However, DOL management disagreed with the OIG's conclusion that ADA violations had occurred. The OIG and management are currently in the process of determining the actions necessary to resolve this matter. As of the date of this report, no final determination has been made.

KPMG

DOL's Responses to Findings

DOL's responses to the findings identified in our audit are described in Exhibit III. DOL's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the DOL's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 15, 2017

1. Improvement Needed in the Review of Liability Estimates

The preparation of the U.S. Department of Labor’s (DOL) consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of liabilities and the related expenses during the reporting period. Two of these estimates are the Energy Employees Occupational Illness Compensation (EEOIC) benefits liability and the grant accrual liability. During our fiscal year (FY) 2017 audit of DOL’s consolidated financial statements, we identified certain deficiencies in the management review controls over these estimates. Specifically, we noted that the management review controls were not performed at a sufficient level of detail to ensure that errors in the development of the estimates were identified and corrected. Collectively, these deficiencies increase the risk that material misstatements in DOL”s consolidated financial statements will not be prevented, or detected and corrected in a timely manner. As a result of these deficiencies, we identified the following errors:

EEOIC Benefits Liability

During our testing of the EEOIC benefits liability, we identified the following errors within the actuarial model used to calculate the estimate:

- The formula that calculated the discount factor used in the discounted cash flow projection for medical payments was not updated for the current fiscal year. This resulted in an understatement of $407 million in the calculation of the discounted liability.
- The formula used to calculate the number of individuals eligible for medical expenses in historical years contained an error that linked the “total number of individuals eligible” to the incorrect cells for FYs 2001 and 2002. This resulted in an understatement of $267 million in the calculation of the discounted liability.

In addition to the errors above and in response to questions we raised during the audit, DOL’s external actuary also determined there were errors in the formulas used to calculate the number of assumed deaths for both historical years and future years that referenced the incorrect cells in the mortality table. These errors resulted in an overstatement of $417 million in the calculation of the discounted liability.

Grant Accrual Liability

During our testing over the grant accrual liability, we noted that the grant accrual look-back analysis improperly included 111 document IDs/footprints. The document IDs/footprints erroneously included in the look-back analysis impacted the cost ratios used to calculate the grant accrual liability as of September 30, 2017, which resulted in an understatement of $52 million.

In addition, management’s review of the grant accrual that was calculated as of September 30, 2017, did not identify that the incorrect cost ratios were used in the calculation. Management’s use of the incorrect cost ratios resulted in an additional understatement of $54 million in the grant accrual liability.

Based on our observations, we determined that the Office of Workers’ Compensation Programs and the Employment Training Administration need to enhance its risk assessment process to identify and assess the accounting reporting risks for critical estimates. As a result, critical estimates did not always receive the appropriate level of attention needed to ensure errors were timely identified. Furthermore, management of these components had not implemented sufficient monitoring controls to ensure the management review controls over these estimates were operating at a level of precision to identify significant errors. Without effective controls over critical estimates, material errors may occur and go undetected by management.

The following criteria are relevant to the conditions noted above:

- The Government and Accountability Office Standards for Internal Control in the Federal Government (the Standards), Section 10.02 states:

  > Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses.

- Office of Management and Budget (OMB) Circular No. A-123, Appendix A, Section II, *Management's Responsibility for Internal Controls*, states that

  > Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting. Reliability of financial reporting means that management can reasonably make the following assertions:
  >
  > - All reported transactions actually occurred during the reporting period and all assets and liabilities exist as of the reporting date (existence and occurrence);
  > - All assets, liabilities, and transactions that should be reported have been included and no unauthorized transactions or balances are included (completeness); and,
  > - All assets and liabilities have been properly valued, and where applicable, all costs have been properly allocated (valuation).

To address the deficiencies noted above, we recommend that the Director, Office of Workers' Compensation Programs and the Acting Assistant Secretary for Employment and Training Administration:

1. Implement monitoring controls over their respective estimates to ensure management's review of the estimates are performed at a sufficient level of detail, including the underlying data, assumptions and formulas used.
2. Provide additional training as necessary to the reviewers of the estimates to ensure they fully understand the components of the estimates that should be reviewed in detail.

Management's Response: See Exhibit III for management's response.

Auditors' Response: We will conduct follow-up procedures in FY 2018 to determine whether corrective actions have been developed and implemented

Significant Deficiency
Exhibit II

2. Lack of Sufficient Information Technology General Controls over Key Financial Feeder Systems

During our FY 2017 testing of DOL's entity-level controls and general information technology controls, we identified new control deficiencies in addition to certain ones that were reported in prior years across key DOL financial and support systems. This control environment included general and application controls and system-generated reports (information produced by the entity) that support the completeness, accuracy, and validity of financial information. In summary, during our FY 2017 testing of significant DOL financial and support systems in the four DOL agencies responsible for them, we identified 11 new control deficiencies, and 32 previously-reported deficiencies that were not corrected or not corrected timely that remained open. However, we did note that 20 previously-reported deficiencies for which DOL agencies completed sufficient corrective action in FY 2017.

While we continued to identify deficiencies in the current year, we did note that the extent of the exceptions identified for certain controls related to user access, segregation of duties, and audit logs decreased as compared to the prior year. In addition, the DOL agencies conducted risk assessments in FY 2017 over the information technology (IT) control environment to identify the root causes of certain deficiencies that were previously identified. As a result, the agencies were able to develop and implement appropriate corrective actions to remediate them and had procedures in place to ensure the performance of key financially-relevant IT controls that functioned effectively in the past did not deteriorate.

We classified the deficiencies identified into the following categories: account management, configuration management, system audit log configuration and reviews, and patch management.

Account Management

Control deficiencies related to account management increase the risk that current employees, separated employees, and/or contractors may conduct unauthorized activities and/or obtain inappropriate disclosures of sensitive data, which may affect the confidentiality, integrity, and/or availability of DOL systems and data. The specific FY 2017 deficiencies identified in this category were as follows:

- Certain application user accounts were not timely removed for separated users;
- Certain network user accounts were not timely removed for separated users and their accounts were accessed after their separation dates;
- Contractor separation dates were not consistently maintained or monitored within department-wide Federal Human Resources listings or other consolidated listings for the timely removal of accounts of separated system users;
- Inactive accounts were not consistently disabled in a timely manner; and
- Account management controls were not consistently performed, as evidenced by roles that were improperly authorized and provisioned in conflict with separation of duties principles and insufficient access re-certifications.

Configuration Management

Controls related to configuration management are designed to provide reasonable assurance that changes to information system resources are authorized and systems are configured and operated securely and as intended. Although DOL had designed controls to establish accountability and responsibility for configuration management, including monitoring and tracking of changes, we identified during our FY 2017 audit procedures that account management controls were not consistently performed over change migrators and developers with access to perform configuration management controls. Failure to perform access re-certifications for change migrators and developers may allow for unauthorized or inappropriate changes to be applied and remain undetected by management, resulting in lower assurance that the information system will operate as intended and that the data is reliable, valid, and complete.

System Audit Log Configuration and Reviews

The system audit log configuration and reviews category represents controls designed to detect unauthorized access to IT systems. Although DOL had certain detective controls in place to partially mitigate the aforementioned account management risks, we identified during our FY 2017 audit procedures that certain audit logs were not captured, retained, monitored, reviewed timely, or independently reviewed. Additionally, evidence of audit log reviews was not consistently maintained or was insufficient. The lack of effective and timely system audit log configuration and reviews may allow for unauthorized or inappropriate activities to remain undetected by management for lengthy periods of time.

Patch Management

Controls related to patch management are designed to prevent weaknesses in IT systems from being exploited. Such controls include proactively and timely patching of related security issues, and configuring IT systems in compliance with baseline security requirements. During our FY 2017 audit procedures, we noted that certain database and operating system infrastructures were configured on unsupported or outdated versions instead of the latest supported versions from the vendors. We also noted that certain patches were approved and tested after the patches were implemented into the production environment. Additionally, evidence of approval, successful testing and deployment was not consistently maintained or was insufficient.

Not upgrading to a vendor-supported database or operating system increases susceptibility to threats and vulnerabilities developing after the databases or operating systems end of support date, which ultimately increases the risk of a compromise of the confidentiality, integrity, and availability of the data residing on the information system. Patches that are not upgraded in a timely manner or where evidence is not maintained or completed out of order may result in information leaks or system threats, which may also disrupt normal system processes, allow inappropriate access, prevent updates from being implemented, and jeopardize the integrity of financial information.

Collectively, the aforementioned IT control deficiencies pose a risk to the integrity of DOL's data, which could ultimately impact DOL's ability to accurately and timely perform its financial reporting duties. The specific nature of these deficiencies, their specific causes, and the system impacted by them, have been communicated separately to management. These deficiencies were the result of issues in the monitoring or operation of departmental procedures and controls. DOL has started to invest the necessary level of effort and resources to perform root cause analyses to address issues previously reported, and to ensure that certain IT policies and procedures are developed, implemented, and operating effectively.

The National Institute of Standards and Technology Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, the Government Accountability

Office's *Standards for Internal Control in the Federal Government* (GAO-14-704G), and the DOL Computer Security Handbook (CSH) define the criteria for the controls in which the deficiencies were identified.

To address the deficiencies noted above, we recommend the Chief Information Officer continue to:

a) Conduct a sufficient risk assessment to identify the root causes of identified deficiencies;

b) Document, track, and implement milestones and corrective actions to timely remediate all identified deficiencies that have been communicated to DOL management;

c) Coordinate efforts among the DOL agencies to design and implement procedures and controls to address account management, configuration management, system audit log configuration and reviews, and patching management control deficiencies in key financial feeder systems; and

d) Monitor the agencies' progress to ensure that established procedures and controls are operating effectively and maintained.

Management's Response: See Exhibit III for management's response.

Auditors' Response: We will conduct follow-up procedures in FY 2018 to determine whether corrective actions have been developed and implemented

U.S. Department of Labor

Office of the Chief Financial Officer
Washington, D.C. 20210

NOV 15 2017

MEMORANDUM FOR: ELLIOT LEWIS
Assistant Inspector General for Audit

FROM: GEOFFREY KENYON
Principal Deputy Chief Financial Officer

SUBJECT FY 2017 Independent Auditors' Report on DOL's Consolidated Financial Statements
Draft Report Number: 22-18-004-13-001

Please find attached management's response to Draft Report No.22-18-004-13-001, FY 2017 Independent Auditors' Report.

We appreciate the opportunity to provide input and look forward to continued collaboration with the OIG audit team.

Please contact me if you have any questions.

Attachment

cc: Karen Tekleberhan, Deputy Chief Financial Officer
Edward C. Hugler, Deputy Assistant Secretary for Administration and Management
Gundeep Ahluwalia, Chief Information Officer

Management's Response
Fiscal Year 2017 Independent Auditors' Report

1. Improvement Needed in Estimate Reviews

Management recognizes its responsibility for controls over estimates related to the Energy Employees Occupational Illness Compensation Program Act (EEOICPA) benefits liability. While there are inherent uncertainties involved in the estimation of EEOIC actuarial liability, management continuously seeks to improve the estimate and takes seriously its responsibility to prevent, detect, and correct errors that could lead to material misstatements.

To this end, management has worked closely with its external actuaries to correct the errors in the EEOICPA benefits liability model noted in Exhibit I. To verify the completeness and accuracy of the corrections, the model was reviewed by multiple OWCP personnel, including economists, a statistician, and the EEOICPA program Deputy Director. In addition, a management review was conducted by the OWCP Comptroller.

Moving forward, management will review its internal controls and review procedures over the EEOICPA benefits liability estimate to ensure that errors in the model are promptly identified and corrected.

Regarding the grant accrual liability, ETA has detective controls in place that would reveal any material error in calculating the accrual ratios or the actual accrual itself, including comparison to prior quarters and review of the overall amounts and distribution of the accrual entry. ETA investigates grant accrual calculations that fall outside of management's expectation (greater than 10%). A review of the accrual data is performed to ensure that the most current data is provided and the calculation is reviewed to ensure it is accurate before posting; during this fiscal year management did not use the correct ratios for the period ending 9/30/2017.

While updates were made to the grant accrual standard operating procedures during the FY 2017 audit period, ETA agrees that further improvements can be made documenting management's assessment and review. ETA will continue to review the current standard operating procedures, identify gaps, and make any required updates. ETA will also ensure key staff are identified and properly trained to review the grant accrual calculation for accuracy. ETA agrees to have these actions completed by January 31, 2018.

Management of the Department of Labor continually seeks to improve its policies and procedures to address issues identified during the audit. During FY 2018 DOL will review and update its corrective action plan and develop remediation activities to address these needed improvements. Management appreciates the opportunity to provide input and looks forward to the continued collaboration with the OIG audit team to strengthen the Department.

2. Lack of Sufficient Information Technology General Controls over Key Financial Feeder Systems

In the year that has passed since the FY 2016 Independent Auditors' Report on DOL's Financial Statements was completed, significant changes in the OCIO's IT environment have taken place and enhanced DOL's security posture.

DOL Senior IT Leadership appreciates the independent auditors' acknowledgment of the significant steps taken by the Department to identify and mitigate or remediate the root causes of deficiencies identified since FY 2016. Through risk management and strategic planning, Senior IT Leadership applied risk based-decision making in the approach and implementation of corrective actions resulting in considerable progress in FY 2017. DOL identified, acquired, and began implementing additional cybersecurity tools to address priority risks and is on track for full implementation by the end of FY 2018.

Account Management

Deficiencies in account recertification, termination, or separation of duties are a result of disparate technologies and manual processes for access management across DOL's component agencies.

In the fall of 2015, DOL implemented the Personal Identity Verification (PIV)-enforced Identification and Authentication (I&A) process. Because of the timing of the implementation, it was not assessed as part of the FY 2016 audit. The implementation of the PIV-enforced I&A has significantly reduced the risk associated with the untimely disablement of network accounts and unauthorized access to DOL applications.

In FY 2017, DOL acquired a leading suite of tools that will give DOL the ability to implement an enterprise Identify and Access Management (IAM) solution increasing security capabilities while further reducing operational risk for managing accounts. By Q4 FY 2018, DOL is expected to complete the implementation of these solutions, to include integrating DOL applications, leading to centralization of Access Control functions such as provisioning and de-provisioning.

Also in FY 2017, auto-generated lists of separated employees began to be sent daily to Agency ISOs for review to ensure accounts are disabled in a timely manner for separated users. Additionally OCIO began the revision of HR and badging office off boarding and transfer process. The process is expected to be completed by the end of Q2 FY 2018. In addition, DOL began the implementation of a Contractor Personnel Database (CPD) and process to monitor the onboarding and separation of all contractors supporting DOL programs. The development, documentation, and implementation of a DOL-wide process to support the CPD are planned for the end of FY 2018 Q1.

System Audit Log Configuration and Reviews

Deficiencies in system audit log configuration and reviews are a result of resource constraints and the lack of tools to support a robust enterprise audit log aggregation and review process.

In FY 2017, DOL began the implementation of a Security Information and Event Management (SIEM). The underway modernization of DOL's IT infrastructure will provide increased storage and processing power needed to support the enterprise SIEM solution. DOL plans to complete the implementation of the SIEM solution by the end of Q4 FY 2018. Additionally by Q4FY18, DOL plans to expand its IT workforce to include Information System Security Officer (ISSO) support. ISSO support staff will increase overall IT security support for information systems, to include the review of audit logs.

Patch Management and Configuration Management

Deficiencies in patch management and configuration management are a result of aging hardware infrastructure and personnel not adhering to standard operating procedures for patch management and configuration management.

In FY 2016, DOL revised its information security continuous monitoring (ISCM) approach with much emphasis on patch management and configuration management within the Departments information security and risk management program documentation. Rather than applying every patch and hotfix that is released by vendors, OCIO developed a risk-based process of evaluating the criticality and applicability of software patches.

The Department's patch management process includes risk analysis and mitigation strategies, implementation of automated tools, and a repeatable process to maintain the patch level of all enterprise computing platforms. OCIO performs weekly vulnerability scans and reports of the network and analyzes the results to prioritize the patch management plan. As part of a risk mitigation strategy, OCIO reviews all risk exemption requests which must be approved by the CISO. The enterprise-wide risk management process ensures that the Department applies risk mitigating best practices consistently across all agencies and that all mandatory regulations and policies specific to DOL risk management are addressed.

In FY 2017, OCIO started sending weekly patch and vulnerability scan reports to agencies to support patch and vulnerability management and supplement the existing process. In FY 2018, DOL will ensure that appropriate personnel are trained on and understand the OCIO patch management process (approval, testing, implementation, and documentation). In addition, IT modernization efforts are underway to refresh outdated infrastructure.

Overall, OCIO has taken significant steps in improving the security posture, including providing the resources and oversight to address the weaknesses outlined in the subject report while implementing processes to ensure DOL's agencies and systems adhere to its information security policies, procedures and controls. OCIO will also increase the oversight process of enterprise-wide remediation activities by implementing an enterprise cybersecurity capability portfolio and process. The enterprise cybersecurity capability portfolio will categorize capabilities under the appropriate function area and security domain, identifying supporting solutions, track capability performance measures, identify gaps in the capabilities, and track corrective actions to address the capability gaps.

Annual Financial Statements

Principal Financial Statements and Notes

Principal Financial Statements Included in This Report

The principal financial statements included in this report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990 (P.L. 101-576), the Government Management Reform Act of 1994, and OMB Circular No. A-136, *Financial Reporting Requirements*. The responsibility for the integrity of the financial information included in these statements rests with management of the Department. The audit of DOL's principal financial statements was performed by KPMG LLP. The auditors' report accompanies the principal financial statements.

The Department's principal financial statements for FY 2017 and FY 2016 consist of the following:

- The **Consolidated Balance Sheets**, which present as of September 30, 2017 and 2016, those resources owned or managed by DOL that are available to provide future economic benefits (assets); amounts owed by DOL that will require payments from those resources or future resources (liabilities); and residual amounts retained by DOL, comprising the difference (net position).

- The **Consolidated Statements of Net Cost**, which present the net cost of DOL operations for the years ended September 30, 2017 and 2016. DOL's net cost of operations includes the gross costs incurred by DOL less any exchange revenue earned from DOL activities. The classification of gross cost and exchange revenue by program and program agency is presented in Note 15 to the consolidated financial statements.

- The **Consolidated Statements of Changes in Net Position**, which present the change in DOL's net position resulting from the net cost of DOL operations, budgetary financing sources other than exchange revenue, and other financing sources for the years ended September 30, 2017 and 2016.

- The **Combined Statements of Budgetary Resources**, which present the budgetary resources available to DOL, change in obligated balance, and budget authority and net outlays of budgetary resources for FYs 2017 and 2016; and the status of these resources as of September 30, 2017 and 2016.

- The **Statements of Social Insurance**, which present the net present values of projected cash inflows and outflows for the current participants (closed group), new participants, and current participants and new participants (open group) of the Black Lung Disability Trust Fund (BLDTF) as of September 30, 2017, 2016, 2015, 2014, and 2013.

- The **Statements of Changes in Social Insurance Amounts**, which present the net change in the open group measure of the BLDTF for the years ended September 30, 2017 and 2016, and provide information about the change.

CONSOLIDATED BALANCE SHEETS
As of September 30, 2017 and 2016
(Dollars in Thousands)

	2017	2016
ASSETS		
Intra-governmental		
Funds with U.S. Treasury (Note 1-C and 2)	$ 12,121,697	$ 11,960,730
Investments (Note 1-D and 3)	61,067,309	54,098,358
Accounts receivable (Note 1-E and 4)	5,396,238	5,534,674
Advances (Note 1-G and 6)	6,389	3,409
Total intra-governmental	78,591,633	71,597,171
Accounts receivable, net of allowance (Note 1-E and 4)	1,352,217	1,379,029
General property, plant and equipment, net (Note 1-F and 5)	1,210,868	1,264,080
Advances (Note 1-G and 6)	1,130,773	1,105,972
Total assets	$ 82,285,491	$ 75,346,252
LIABILITIES AND NET POSITION		
Liabilities (Note 1-I and 12)		
Intra-governmental		
Accounts payable	$ 21,022	$ 15,865
Debt (Note 1-J and 8)	8,368,258	14,264,915
Other liabilities (Note 9)	276,653	249,811
Total intra-governmental	8,665,933	14,530,591
Accounts payable	246,691	325,041
Accrued benefits (Note 1-K and 10)	1,302,857	1,642,495
Future workers' compensation benefits (Note 1-L and 11)	2,622,296	1,917,478
Energy employees occupational illness compensation benefits (Note 1-M)	19,722,715	15,373,336
Accrued leave (Note 1-N)	126,959	128,045
Other liabilities (Note 9)	747,294	836,870
Total liabilities	33,434,745	34,753,856
Contingencies (Note 13)		
Net position (Note 1-R)		
Funds from dedicated collections		
Cumulative results of operations (Note 21)	53,763,672	40,442,362
All other funds		
Unexpended appropriations	7,911,467	7,919,543
Cumulative results of operations	(12,824,393)	(7,769,509)
Total net position - all other funds	(4,912,926)	150,034
Total net position	48,850,746	40,592,396
Total liabilities and net position	$ 82,285,491	$ 75,346,252

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30, 2017 and 2016
(Dollars in Thousands)

	2017	2016
NET COST OF OPERATIONS (Note 1-S and 15)		
CROSSCUTTING PROGRAMS		
Income maintenance		
Gross cost	$ 44,305,656	$ 43,314,156
Less earned revenue	(3,261,780)	(3,546,200)
Net program cost	41,043,876	39,767,956
Employment and training		
Gross cost	6,126,985	6,301,715
Less earned revenue	(3,320)	(10,045)
Net program cost	6,123,665	6,291,670
Labor, employment and pension standards		
Gross cost	883,981	912,018
Less earned revenue	(11,547)	(19,277)
Net program cost	872,434	892,741
Worker safety and health		
Gross cost	1,039,028	1,072,944
Less earned revenue	(3,331)	(7,678)
Net program cost	1,035,697	1,065,266
OTHER PROGRAMS		
Statistics		
Gross cost	659,662	660,604
Less earned revenue	(29,127)	(32,165)
Net program cost	630,535	628,439
COSTS NOT ASSIGNED TO PROGRAMS		
Gross cost	48,285	18,505
Less earned revenue not attributed to programs	(33,069)	(9,680)
Net cost not assigned to programs	15,216	8,825
Net cost of operations	$ 49,721,423	$ 48,654,897

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2017 and 2016

(Dollars in Thousands)

	2017 Consolidated			2016 Consolidated		
	Funds from Dedicated Collections	All Other Funds	Total	Funds from Dedicated Collections	All Other Funds	Total
Cumulative results of operations, beginning	$ 40,442,362	$ (7,769,509)	$ 32,672,853	$ 27,153,317	$ (6,653,649)	$ 20,499,668
Budgetary financing sources (Note 1-T)						
Appropriations used	-	10,300,499	10,300,499	-	10,277,935	10,277,935
Non-exchange revenue (Note 16)						
Employer taxes	44,484,373	-	44,484,373	47,370,792	-	47,370,792
Interest	1,307,018	3	1,307,021	1,219,327	25	1,219,352
Reimbursement of unemployment benefits and other	1,605,373	3,581	1,608,954	1,596,876	536	1,597,412
Total non-exchange revenue	47,396,764	3,584	47,400,348	50,186,995	561	50,187,556
Transfers without reimbursement (Note 17)	(3,647,697)	3,841,568	193,871	(3,635,425)	3,885,853	250,428
Other financing sources (Note 1-U)						
Imputed financing from costs absorbed by others	2,152	90,788	92,940	2,734	104,743	107,477
Transfers without reimbursement (Note 17)	-	1,595	1,595	-	4,930	4,930
Other	-	(1,404)	(1,404)	-	(244)	(244)
Total financing sources	43,751,219	14,236,630	57,987,849	46,554,304	14,273,778	60,828,082
Net cost of operations	(30,429,909)	(19,291,514)	(49,721,423)	(33,265,259)	(15,389,638)	(48,654,897)
Net change	13,321,310	(5,054,884)	8,266,426	13,289,045	(1,115,860)	12,173,185
Cumulative results of operations, end of period	53,763,672	(12,824,393)	40,939,279	40,442,362	(7,769,509)	32,672,853
Unexpended appropriations, beginning	-	7,919,543	7,919,543	-	7,991,121	7,991,121
Budgetary financing sources (Note 1-T)						
Appropriations received (Note 18-F)	-	10,869,138	10,869,138	-	10,761,084	10,761,084
Appropriations used	-	(10,300,499)	(10,300,499)	-	(10,277,935)	(10,277,935)
Appropriations transferred	-	6,478	6,478	-	(1,000)	(1,000)
Other adjustments	-	(583,193)	(583,193)	-	(553,727)	(553,727)
Total budgetary financing sources	-	(8,076)	(8,076)	-	(71,578)	(71,578)
Unexpended appropriations, end of period	-	7,911,467	7,911,467	-	7,919,543	7,919,543
Net position	$ 53,763,672	$ (4,912,926)	$ 48,850,746	$ 40,442,362	$ 150,034	$ 40,592,396

The accompanying notes are an integral part of these statements.

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the Years Ended September 30, 2017 and 2016
(Dollars in Thousands)

	2017	2016
Note 18		
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	$ 3,956,265	$ 3,447,458
Recoveries of prior year unpaid obligations	416,033	603,674
Other changes in unobligated balance	(373,569)	(228,293)
Unobligated balance from prior year budget authority, net	3,998,729	3,822,839
Appropriations (discretionary and mandatory)	45,286,228	47,611,750
Spending authority from offsetting collections (discretionary and mandatory)	7,378,389	7,410,865
Total budgetary resources	$ 56,663,346	$ 58,845,454
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	$ 52,732,162	$ 54,889,189
Unobligated balance, end of year		
Apportioned, unexpired accounts	3,140,440	3,083,935
Exempt from apportionment, unexpired accounts	33,211	37,251
Unapportioned, unexpired accounts	87,891	73,288
Unexpired unobligated balance, end of year	3,261,542	3,194,474
Expired unobligated balance, end of year	669,642	761,791
Total unobligated balance, end of year	$ 3,931,184	$ 3,956,265
Total budgetary resources	$ 56,663,346	$ 58,845,454
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1	$ 12,879,651	$ 13,200,831
New obligations and upward adjustments	52,732,162	54,889,189
Less: outlays (gross)	(52,850,156)	(54,606,695)
Less: recoveries of prior year unpaid obligations	(416,033)	(603,674)
Unpaid obligations, end of year	$ 12,345,624	$ 12,879,651
Uncollected Payments:		
Uncollected payments, Federal sources, brought forward, October 1	(1,748,177)	(1,697,626)
Change in uncollected payments, Federal sources	124,566	(50,551)
Uncollected payments, Federal sources, end of year	(1,623,611)	(1,748,177)
Obligated balance, start of year	$ 11,131,474	$ 11,503,205
Obligated balance, end of year	$ 10,722,013	$ 11,131,474
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	$ 52,664,617	$ 55,022,615
Actual offsetting collections (discretionary and mandatory)	(7,518,175)	(7,389,858)
Change in uncollected customer payments from Federal sources (discretionary and mandatory)	124,566	(50,551)
Recoveries of prior year paid obligations (discretionary and mandatory)	15,220	29,544
Budget authority, net (discretionary and mandatory)	$ 45,286,228	$ 47,611,750
Outlays, gross (discretionary and mandatory)	$ 52,850,156	$ 54,606,695
Actual offsetting collections (discretionary and mandatory)	(7,518,175)	(7,389,858)
Outlays, net (discretionary and mandatory)	45,331,981	47,216,837
Distributed offsetting receipts	(559,128)	(740,914)
Agency outlays, net (discretionary and mandatory)	$ 44,772,853	$ 46,475,923

The accompanying notes are an integral part of these statements.

STATEMENTS OF SOCIAL INSURANCE

As of September 30, 2017, 2016, 2015, 2014, and 2013
(Dollars in Thousands)

	As of September 30,				
		Unaudited			
	2017	2016	2015	2014	2013
BLACK LUNG DISABILITY BENEFIT PROGRAM (Note 1-W and 1-Y)					
Current participants (closed group)					
Present value of estimated future excise tax income during the projection period	$ 2,011,565	$ 2,906,046	$ 4,738,572	$ 7,301,416	$ 7,494,800
Less the present value of estimated future administrative costs during the projection period	713,472	953,474	1,242,920	942,107	920,740
Less the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period	1,280,920	1,359,109	1,898,939	1,876,522	1,953,763
Excess of present value of estimated future excise tax income over present value of estimated future administrative costs and actuarial present value of future benefit payments during the projection period (closed group measure)	17,173	593,463	1,596,713	4,482,787	4,620,297
New participants					
Present value of estimated future excise tax income during the projection period	1,616,686	1,452,086	-	-	-
Less the present value of estimated future administrative costs during the projection period	573,414	476,429	-	-	-
Less the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period	1,029,469	679,116	-	-	-
Excess of present value of estimated future excise tax income over present value of estimated future administrative costs and actuarial present value of future benefit payments during the projection period	13,803	296,541	-	-	-
Current and new participants (open group)					
Present value of estimated future excise tax income during the projection period	3,628,251	4,358,132	4,738,572	7,301,416	7,494,800
Less the present value of estimated future administrative costs during the projection period	1,286,886	1,429,903	1,242,920	942,107	920,740
Less the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period	2,310,389	2,038,225	1,898,939	1,876,522	1,953,763
Excess of present value of estimated future excise tax income over present value of estimated future administrative costs and actuarial present value of future benefit payments during the projection period (open group measure)	$ 30,976	$ 890,004	$ 1,596,713	$ 4,482,787	$ 4,620,297
Trust fund net position deficit at start of projection period (Note 1-W and 21)	$(5,610,709)	$ (5,604,460)	$ (5,644,208)	$ (5,755,352)	$ (5,894,222)
Summary Section					
Closed group measure	$ 17,173	$ 593,463	$ 1,596,713	$ 4,482,787	$ 4,620,297
Add: Funds with U.S. Treasury and receivables from benefit overpayments (Note 21)	144,697	113,856	54,859	129,376	145,794
Total of closed group measure plus fund assets (Note 1-W)	$ 161,870	$ 707,319	$ 1,651,572	$ 4,612,163	$ 4,766,091
Open group measure	$ 30,976	$ 890,004	$ 1,596,713	$ 4,482,787	$ 4,620,297
Add: Funds with U.S. Treasury and receivables from benefit overpayments (Note 21)	144,697	113,856	54,859	129,376	145,794
Total of open group measure plus fund assets (Note 1-W)	$ 175,673	$ 1,003,860	$ 1,651,572	$ 4,612,163	$ 4,766,091

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN SOCIAL INSURANCE AMOUNTS
For the Years Ended September 30, 2017 and 2016
(Dollars in Thousands)

BLACK LUNG DISABILITY BENEFIT PROGRAM (Note 1-W and 1-Y)

Open Group Measure

(Dollars in Thousands)	Unaudited 2017	Unaudited 2016
The excess of present value of estimated future excise tax income over present value of estimated future administrative costs and actuarial present value of future benefit payments to disabled coal miners and dependent survivors in the open group during the projection period (open group measure), beginning of year	$ 890,004	$ 1,596,713
Changes in the assumptions about beneficiaries, including costs, number, type, age and life expectancy	(387,457)	(22,732)
Changes in assumptions about coal excise tax revenues	(481,019)	(652,225)
Changes in assumptions about Federal civilian pay raises for income benefits	12,764	9,653
Changes in assumptions about medical cost inflation for medical benefits	(26,784)	(8,373)
Changes in assumptions about administrative costs	54,230	(95,670)
Changes in assumptions about interest rates	(30,762)	62,638
Net change in open group measure	(859,028)	(706,709)
Open group measure, end of year	$ 30,976	$ 890,004

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

DOL, a cabinet level agency of the Executive Branch of the United States Government, was established in 1913, to promote the welfare of the wage earners of the United States. Today the Department's mission remains the same: to foster, promote and develop the welfare of the wage earners, job seekers and retirees of the United States; improve working conditions; advance opportunities for profitable employment; and assure work-related benefits and rights.

DOL accomplishes this mission through the execution of its congressionally approved budget, operating under four major budget functions: (i) education, training, employment, and social services; (ii) health (protecting workers in their place of employment); (iii) income security; and (iv) veterans benefits and services (veterans employment and training). DOL is organized into program agencies, which administer the various statutes and programs for which the Department is responsible. DOL's program agencies are shown below.

1. **Program Agencies**
   - Employment and Training Administration (ETA)
     - *Office of Job Corps*
   - Office of Workers' Compensation Programs (OWCP)
   - Occupational Safety and Health Administration (OSHA)
   - Bureau of Labor Statistics (BLS)
   - Mine Safety and Health Administration (MSHA)
   - Employee Benefits Security Administration (EBSA)
   - Veterans' Employment and Training Service (VETS)
   - Wage and Hour Division (WHD)

   Other Program Agencies
   - Office of Federal Contract Compliance Programs (OFCCP)
   - Office of Labor-Management Standards (OLMS)
   - Office of Disability Employment Policy (ODEP)
   - Departmental Management
     - *Office of the Secretary*
     - *Office of the Assistant Secretary for Administration and Management*
     - *Office of the Assistant Secretary for Policy*
     - *Office of Congressional and Intergovernmental Affairs*
     - *Bureau of International Labor Affairs*
     - *Office of the Deputy Secretary*
     - *Office of Inspector General*
     - *Office of the Solicitor*
     - *Office of Public Affairs*
     - *Office of the Chief Financial Officer*
     - *Women's Bureau*

The Pension Benefit Guaranty Corporation (PBGC), wholly owned by the Federal government and whose Board of Directors is chaired by the Secretary of Labor, has been designated by OMB as a separate reporting entity for financial statement purposes and has been excluded from these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

2. The major programs are

- Income maintenance
- Employment and training
- Labor, employment and pension standards
- Worker safety and health
- Statistics

3. Fund accounting structure

DOL's financial activities are accounted for by Federal account symbol, using individual funds and fund accounts within distinct fund types to report to the U.S. Department of the Treasury's (Treasury) Bureau of the Fiscal Service and to OMB. For financial statement purposes, DOL funds are further classified as funds from dedicated collections, fiduciary funds, and all other funds, and are discussed below:

Funds from dedicated collections

Funds from dedicated collections are financed by specifically identified revenues, which can be supplemented by other financing sources, both of which remain available over time. These revenues and financing sources are required by statute to be used for designated purposes and must be accounted for separately from the Government's general revenues. DOL's funds from dedicated collections are disclosed in Note 21 and are discussed below:

Unemployment Trust Fund (UTF) was established under the authority of Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, and disburse monies collected under the Federal Unemployment Tax Act (FUTA), as well as state unemployment taxes collected by the states and transferred to the Fund, and unemployment taxes collected by the Railroad Retirement Board and transferred to the Fund. The Federal Additional Unemployment Compensation (FAUC) fund is a component of the UTF, funded by the General Fund of the Treasury and provided a $25 weekly supplement to the unemployment compensation of eligible claimants.

Black Lung Disability Trust Fund (BLDTF) was established under Part C of the Black Lung Benefits Act, to provide compensation and medical benefits to coal miners who suffer total disability due to pneumoconiosis (Black Lung disease), and compensation benefits to their dependent survivors for claims filed subsequent to June 30, 1973. Claims filed from the origination of the program until June 30, 1973, are paid by the Special Benefits for Disabled Coal Miners fund. (See Note 1.A.3 – All other funds.)

Gifts and Bequests Fund uses miscellaneous funds received by gift or bequest to support various activities of the Secretary of Labor.

Panama Canal Commission Compensation Fund was established to provide for the accumulation of funds provided by the Commission to pay its workers compensation obligations under the Federal Employees' Compensation Act (FECA).

H-1B Funds provide demonstration grants to regional and local entities to provide technical skills training to unemployed and incumbent workers. As authorized by the American Competitiveness and Workforce

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

Funds from dedicated collections – continued

Improvement Act of 1998, the funds are supported by fees paid by employers petitioning the U.S Department of Homeland Security for visas for foreign workers under the H-1B program.

Fiduciary funds

Fiduciary funds are used to account for DOL's fiduciary activities, which involve the collection or receipt and subsequent disposition of cash or other assets in which non-Federal entities have an ownership interest that the Department must uphold. Fiduciary assets are not assets of DOL or the Federal Government, and accordingly, are not recognized on the Department's balance sheet. The fiduciary assets held by DOL and the fiduciary activities related to these assets are disclosed in Note 22 to these financial statements. DOL's fiduciary funds are discussed below.

Wage and Hour and Public Contracts Restitution Fund, a deposit fund established by the Fair Labor Standards Amendments of 1949, receives deposits from employers assessed by the Department for unpaid minimum wages or unpaid overtime compensation owed to employees as a result of labor law violations, and pays these wages directly to the affected employees.

Longshore and Harbor Workers' Compensation Act Trust Fund, established under the authority of the Longshore and Harbor Workers' Compensation Act, provides medical benefits, compensation for lost wages, and rehabilitation services for job-related injuries and diseases or death to private sector workers engaged in certain maritime and other employment covered by extensions such as the Defense Base Act. The Act authorizes the Department to assess insurance carriers on behalf of these beneficiaries.

District of Columbia Worker's Compensation Act Trust Fund, established under the authority of the District of Columbia Worker's Compensation Act, provides compensation and medical payments to the District of Columbia employees for work-related injuries or death which occurred prior to July 26, 1982. The Act authorizes the Department to assess insurance carriers on behalf of these beneficiaries.

Davis-Bacon Act Trust Fund established under the Davis-Bacon Act, provides payment for claims relating to violations of the Davis-Bacon Act and Contract Work Hours and Safety Standards Act. The Department investigates violation allegations to determine if federal contractors owe additional wages to covered employees. If the Department concludes that a violation has occurred, the Department collects the amount owed from the contracting federal agency, deposits the funds into an account with the U.S. Treasury, and remits payment to the claimant.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds

Salaries and Expenses include appropriated funds which are used to carry out the missions and functions of the Department, except where specifically provided for from other departmental funds.

Training and Employment Services provides for a flexible, decentralized system of Federal and local training programs and other services for the economically disadvantaged and others, designed to lead to permanent gains in employment, through grants to states and Federal programs, authorized by the Workforce Investment Act (WIA) and Workforce Innovation and Opportunity Act (WIOA).

Office of Job Corps supports the administration and management of the Job Corps program, which helps at-risk youth who need and can benefit from intensive education and training services to become more employable, responsible, and productive citizens.

State Unemployment Insurance and Employment Service Operations (SUIESO) includes grants to states for administering the Unemployment Compensation (UC) and Employment Service (ES) programs. UC Programs provide administrative grants to state agencies which pay unemployment benefits to eligible individuals and collect state unemployment taxes from employers. The ES Program is a nationwide system providing no-fee ES to individuals seeking employment and to employers seeking workers. ES funding allotments for state activities are determined upon a demographically based funding formula established under the Wagner-Peyser Act, as amended.

Advances to the Unemployment Trust Fund and Other Funds provides advances to other accounts within the UTF to pay UC whenever the balances in these accounts prove insufficient or whenever reimbursements to certain accounts, as allowed by law, are to be made. This account also makes advances to the Federal Unemployment Benefits and Allowances account to pay the cost of benefits and services under the Trade Adjustment Assistance (TAA) for Workers program; and provides loans to the BLDTF to make disability payments whenever the fund balance proves insufficient.

Federal Unemployment Benefits and Allowances provides for payment of benefits, training, job search, relocation allowances, and employment and case management services (and state administrative expenses for all benefits other than Trade Readjustment Allowances, Reemployment TAA , and Alternative TAA) as authorized by the Trade Act of 1974 and subsequent amendments.

Community Service Employment for Older Americans (CSEOA) provides part-time work experience in community service activities to unemployed, low income persons aged 55 and over.

Federal Employees' Compensation Act Special Benefit Fund provides wage replacement benefits and payment for medical services to covered Federal civilian employees injured on the job, Federal employees and certain other workers who have incurred a work-related illness or injury, and survivors of employees whose death is attributable to a job-related injury. The Fund also provides for vocational rehabilitation of injured employees to facilitate their return to work. Under extensions of FECA, benefits are also paid to certain groups related to War Hazards, non-Federal law enforcement officers, Job Corps enrollees, and certain Federally-supported volunteers. Section 10(h) of the amended Longshore and Harbor Workers'

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds - continued

Compensation Act and the District of Columbia Worker's Compensation Act authorized payments from the Special Benefit fund for 50% of the annual increase in benefits for compensation and certain related benefits.

Energy Employees Occupational Illness Compensation Fund was established to adjudicate, administer, and pay claims for benefits under the Energy Employees Occupational Illness Compensation Program Act (EEOICPA) of 2000. The Act authorizes compensation payments and the reimbursement of medical expenses to employees of the Department of Energy (DOE) or of private companies under contract with DOE, who suffer from specified diseases as a result of their work in the nuclear weapons industry. The Act also authorizes compensation to the survivors of these employees under certain circumstances. The Act was amended by the Ronald Reagan National Defense Authorization Act of 2005 to provide coverage to additional claimants.

Special Benefits for Disabled Coal Miners was established under the Federal Mine Safety and Health Act to pay benefits to coal miners disabled from pneumoconiosis and to their widows and certain other dependents. Part B of the Act assigned processing of claims filed from the origination of the program until June 30, 1973, to the Social Security Administration (SSA), after which time DOL began processing new claims under Part C. SSA continued to administer Part B claims until DOL permanently assumed responsibility effective October 1, 2003.

Working Capital Fund (WCF) maintains and operates a program of centralized services in the national office and the field. The WCF is paid in advance by the agencies, bureaus, and offices for which centralized services are provided at rates which cover the full cost of operations.

General fund receipt accounts hold non-entity receipts and accounts receivable from DOL activities which by law cannot be deposited into funds under DOL control. The Treasury automatically transfers all fund balances in these receipt accounts to the General Fund of the Treasury at the end of each fiscal year.

Deposit funds account for monies held by DOL as an agent for others or monies held temporarily by DOL until ownership is determined.

4. Inter-departmental relationships

DOL and Treasury are jointly responsible for the operations of the UTF and the BLDTF. DOL is responsible for the administrative oversight and policy direction of the programs financed by these trust funds. Treasury acts as custodian over monies deposited into the funds and also invests amounts in excess of disbursing requirements in Treasury securities on behalf of DOL. DOL consolidates the financial results of the UTF and the BLDTF into these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Accounting and Presentation

These financial statements present the financial position, net cost of operations, changes in net position and budgetary resources of DOL, and estimated and actuarial projections, and changes therein, for the Department's Black Lung social insurance program, in accordance with U.S. GAAP and the form and content requirements of OMB Circular No. A-136. To ensure that the Department's financial statements are meaningful, other liabilities as defined by OMB Circular No. A-136 have been disaggregated on the balance sheet. These include energy employees occupational illness compensation benefits, accrued leave, and other liabilities. Except as described in the following paragraphs, the financial statements have been prepared from the books and records of DOL, and include the accounts of all funds under the control of the DOL reporting entity. All inter-fund balances and transactions have been eliminated, except in the Statements of Budgetary Resources, which are presented on a combined basis, as required by OMB Circular No. A-136.

DOL is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are delegations by one department of its authority to obligate budget authority and outlay funds to another agency as prescribed by law. OMB Circular No. A-136 requires the parent to report all budgetary and proprietary activity in its financial statements. DOL (parent entity) allocates appropriations to the U.S. Department of Agriculture and the U.S. Department of the Interior (child entities) to provide funds for youth training programs. Accordingly, all activity for these allocation accounts is included in the DOL financial statements. DOL (child entity) receives allocated appropriations from the U.S. Department of State to support international HIV/AIDS relief efforts (parent entity). Accordingly, activity for this allocation account is excluded from the DOL financial statements.

U.S. GAAP encompasses both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned and expenses are recognized when incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of Federal funds. These financial statements are different from the financial reports, also prepared by DOL pursuant to OMB directives, used to monitor DOL's use of budgetary resources.

Throughout these financial statements, assets, liabilities, earned revenue, and costs have been classified according to the type of entity with whom the transactions were made. Intra-governmental assets and liabilities are those from or to other Federal entities. Intra-governmental earned revenue represents collections or accruals of revenue from other Federal entities, and intra-governmental costs are payments or accruals of costs to other Federal entities.

C. Funds with U.S. Treasury

DOL's cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures, and restricted balances, including amounts related to expired authority and amounts not available for use by DOL. (See Note 2)

D. Investments

Funds from Dedicated Collections

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with DOL's funds from dedicated collections. The cash receipts collected from the public for funds from dedicated collections are deposited in the U.S. Treasury, which uses the cash for general government purposes. Interest

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Investments - Continued

earning Treasury securities are issued to DOL's funds from dedicated collections as evidence of the receipts. These Treasury securities are assets to DOL and liabilities to the U.S. Treasury. Because DOL and the U.S. Treasury are both parts of the U.S. Government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury securities provide DOL with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When DOL requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures, just as the government finances all other expenditures.

Balances held in the UTF are invested in non-marketable, special issue Treasury securities (certificates of indebtedness and bonds) available for purchase exclusively by Federal government agencies and trust funds. Special issues are purchased and redeemed at face value (cost), which is equivalent to their net carrying value on the Consolidated Balance Sheets. Interest rates and maturity dates vary. The UTF special issue Treasury bonds may be redeemed, in whole or in part, prior to their maturity date and continue to accrue interest until fully redeemed.

Balances held in the Panama Canal Commission Compensation Fund are invested in marketable Treasury securities. These investments are stated at amortized costs that equal their net carrying value on the Consolidated Balance Sheet. Discounts and premiums are amortized using the effective interest method. Interest rates and maturity dates vary. Management expects to hold these marketable securities until maturity; therefore, no provision is made in the financial statements for unrealized gains or losses. (See Note 3)

E. Accounts Receivable, Net of Allowance

Accounts receivable consists of intra-governmental amounts due to DOL, as well as amounts due from the public. (See Note 4)

1. **Intra-governmental accounts receivable**

   The Federal Employees Compensation (FEC) account within the UTF provides unemployment compensation to eligible Federal employees (UCFE) and ex-service members (UCX). DOL recognizes as accounts receivable amounts due from other Federal agencies for unreimbursed UCFE and UCX benefits. DOL's FECA Special Benefit Fund provides workers' compensation benefits to eligible Federal workers on behalf of other Federal agencies. DOL recognizes as accounts receivable amounts due from other Federal agencies to the Special Benefit Fund for unreimbursed FECA benefits.

   DOL also has receivables from other Federal agencies for work performed on their behalf under various reimbursable agreements.

2. **Accounts receivable due from the public**

   DOL recognizes as accounts receivable state unemployment taxes due from covered employers and reimbursements of benefits paid on behalf of other employers. Also recognized as accounts receivable are benefit overpayments made to individuals not entitled to receive the benefit.

   DOL recognizes as accounts receivable amounts due from the public for fines and penalties levied against employers by OSHA, MSHA, WHD, and EBSA and for amounts due from grantees and contractors for grant and contract costs disallowed by ETA and other agencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Accounts Receivable, Net of Allowance - Continued

3. Allowance for uncollectible accounts

Accounts receivable due from the public are stated net of an allowance for uncollectible accounts. The allowance is estimated based on an aging of account balances, past collection experience, and/or an analysis of outstanding accounts at year-end. Intra-governmental accounts receivable are considered fully collectible.

F. General Property, Plant and Equipment, Net

The majority of DOL's general property, plant and equipment (PP&E) is general purpose PP&E held by Job Corps centers owned and operated by DOL through a network of contractors. Internal use software is considered general purpose PP&E.

DOL's capitalization thresholds for assets with a useful life of 2 years or longer and the related depreciable lives are displayed in the following table.

	Capitalization Threshold	Years
Structures, facilities and improvements	$500,000	20 - 50
Furniture and equipment	$50,000	2 - 36
Internal use software and software in development	$500,000	2 - 15
Construction-in-progress	$500,000	-
Land	$500,000	-

Internal use software development costs are capitalized as software in development until the development stage has been completed and successfully tested. Upon completion and testing, they are reclassified as internal use software and amortized over their estimated useful lives.

PP&E purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred. PP&E are depreciated or amortized over their estimated useful lives using the straight-line method. Furniture and equipment include a capital lease for the financial management system.

Job Corps center construction costs are capitalized as construction-in-progress until completed. Upon completion they are reclassified as structures, facilities, and improvements and depreciated over their estimated useful lives. Structures, facilities, and improvements also include a capital lease for a Job Corps facility. Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration (GSA) are capitalized as construction-in-progress until completed. Upon completion, they are reclassified as improvements to leased facilities, and amortized over the remaining life of the lease or the useful life of the improvements, whichever is shorter, using the straight-line method of amortization. DOL operating leases have one-year terms with multiple option years. The leases are cancelable by the government upon appropriate notice as specified in the lease agreements. Historically, these leases have not been canceled and DOL has no intention to cancel these leases in the near term. (See Note 5)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Advances

DOL advances consist primarily of payments made to State Employment Security Agencies (SESA) and to grantees and contractors to provide for future DOL program expenditures. These advance payments are recorded by DOL as an asset, which is reduced when actual expenditures or the accrual of estimated expenditures are recorded by DOL. (See Note 6)

H. Non-entity Assets

Assets held by DOL which are not available to DOL for obligation are considered non-entity assets. DOL holds non-entity assets for the Railroad Retirement Board and for transfer to the U.S. Treasury. (See Note 7)

I. Liabilities

Liabilities represent probable amounts to be paid by DOL as a result of past transactions and are recognized when incurred, regardless of whether there are budgetary resources available to pay them. However, the liquidation of these liabilities will consume budgetary resources and cannot be made until available resources have been obligated. For financial reporting purposes, DOL's liabilities are classified as covered or not covered by budgetary resources.

Liabilities are classified as covered by budgetary resources if budgetary resources are available to pay them. Liabilities are also considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. Liabilities are classified as not covered by budgetary resources if budgetary resources are not available. (See Note 12)

J. Debt

DOL's debt consisted of the following:

1. **Unemployment Trust Fund advances from U.S. Treasury**

   UTF advances from U.S. Treasury outstanding as of September 30, 2017 and 2016, represent borrowing authority used from the General Fund of the U.S. Treasury pursuant to the authority of Sections 905(d) and 1203 of the Social Security Act (42 U.S.C. 1323). Although no draws were made on borrowing authority during FY 2017 and FY 2016, these advances were appropriated in FY 2017 through three continuing resolutions with P.L. 114-223, PL. 114-254, and P.L. 115-30 and an appropriations act P.L. 115-31; and in FY 2016 through three continuing resolutions with P.L. 114-53, P.L. 114-96 and P.L. 114-100, and an appropriations act P.L. 114-113. These repayable advances bear interest rates of 2.375% and 2.500%, which are equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such advance, borne by all interest bearing obligations of the United States then forming part of the public debt; except that in cases in which such average rate is not a multiple of one-eighth of 1 percent, the rate of interest shall be the multiple of one-eighth of 1 percent next lower than such average rate in accordance with Section 905(d) and Section 1203 of the Social Security Act. Interest on the repayable advances is due on September 30th of each year or upon the repayment of an advance and is subject to sequestration. Advances are repaid by transfers from the UTF to the General Fund of the U.S. Treasury when the Secretary of the Treasury, in consultation with the Secretary of Labor, has determined that the balances in the UTF allow repayment. (See Note 8)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Debt - Continued

2. Black Lung Disability Trust Fund borrowings from U.S. Treasury

The Energy Improvement and Extension Act of 2008 (P.L. 110-343, section 113), enacted October 3, 2008, authorized restructuring of the BLDTF debt by the repayment at market value the fund's outstanding repayable Advances from U.S. Treasury, using the proceeds from borrowings from Treasury's Bureau of the Fiscal Service and a one-time appropriation. Pursuant to this authority, in FY 2009, the BLDTF borrowed from Treasury $6.496 billion which was structured into 32 discounted instruments with sequential annual September 30th maturities over the 32-year period 2009 through 2040, bearing interest rates ranging from 1.412% to 4.556%. Interest on each instrument accrues until its September 30th maturity date or the instrument's prepayment, whichever occurs first. These debt payments are to be made from the excise taxes assessed on domestic sales of coal mined in the United States. In the event that the BLDTF cannot repay a discounted instrument when it matures, or make benefit payments or other authorized expenditures, the Act authorizes the issuance of one-year discounted instruments to finance these activities. The BLDTF issued additional debt on September 30, 2016 (due September 30, 2017) bearing an interest rate of 0.589%, and on September 30, 2017 (due September 30, 2018) bearing an interest rate of 1.311%. (See Note 8)

K. Accrued Benefits

The financial statements include a liability for unemployment, workers' compensation, and disability benefits due and payable from various DOL funds, as discussed below. (See Note 10)

1. Unemployment benefits payable

The UTF provides benefits to unemployed workers who meet state and Federal eligibility requirements. Regular and extended unemployment benefits are paid from state accounts within the UTF, financed primarily by a state unemployment tax on employer payrolls. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account (EUCA) within the UTF, financed by a Federal unemployment tax on employer payrolls. The Recovery Act provided for a 100% Federal funding of Extended Benefits (EB) through December 2009. This 100% Federal funding provision, which was extended several times, phased out on January 1, 2014. Although the vast majority of EB activity has ceased, states are still reporting residual transactions related to the program on monthly reports.

The Recovery Act also provided for FAUC, a $25 weekly supplement entirely funded from Treasury General Fund revenues, payable through December 2009, to individuals who were entitled under state law to otherwise receive any type of UC. FAUC benefits were extended several times, with phase-out of benefit eligibility by December 2010. Although the vast majority of FAUC activity has ceased, states are still reporting residual transactions related to the program on monthly reports.

EUC benefits, also paid from EUCA, were first authorized by the Supplemental Appropriations Act of 2008. These benefits were extended by the Recovery Act and other authorizing legislation through January 1, 2014, and were funded entirely from General Fund appropriations. Although the vast majority of EUC activity has ceased, states are still reporting residual transactions related to the program on monthly reports.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Accrued Benefits - Continued

1. Unemployment benefits payable - continued

Unemployment benefits to unemployed Federal workers are paid from the FEC account within the UTF, which is then reimbursed by the responsible Federal agency.

A liability is recognized for unpaid unemployment benefits applicable to the current period and for benefits paid by states that have not been reimbursed by the fund. DOL also recognizes a liability for Federal employees' unpaid unemployment benefits for existing claims filed during the current period, payable in the subsequent period, to the extent reimbursable by other Federal entities.

2. Federal employees disability and 10(h) benefits payable

The FECA Special Benefit Fund provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The fund is reimbursed by other Federal agencies for the FECA benefit payments made on behalf of their workers. The fund assumes the liability for unreimbursed (non-chargeable) FECA benefits. The fund also provides 50% of the annual cost-of-living adjustments for pre-1972 compensation cases under the authority of Section 10(h) of the Longshore and Harbor Workers' Compensation Act and the District of Columbia Worker's Compensation Act. A liability for FECA benefits payable by the Special Benefit Fund to the employees of DOL and other Federal agencies and for Section 10(h) benefits is accrued to the extent of unpaid benefits applicable to the current period.

3. Black lung disability benefits payable

The BLDTF and Special Benefits for Disabled Coal Miners fund provide compensation and medical benefits for eligible coal miners who are totally disabled due to pneumoconiosis (black lung disease). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

4. Energy employees occupational illness compensation benefits payable

The Energy Employees Occupational Illness Compensation Fund provides benefits to eligible current or former employees of the DOE and its contractors suffering from designated illnesses incurred as a result of their work with DOE. Benefits are also paid to certain survivors of those employees and contractors, as well as to certain beneficiaries of the Radiation Exposure Compensation Act (RECA). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

L. Future Workers' Compensation Benefits

The financial statements include an actuarial liability for future workers' compensation benefits payable by DOL to its employees, to employees of the Panama Canal Commission and to enrollees of the Job Corps, as well as benefits not chargeable to other Federal agencies, which must be paid by DOL's FECA Special Benefit Fund. The liability includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to injury years to predict the future payments.

The actuarial methodology provides for the effects of inflation and adjusts historical payments to constant dollars by applying wage inflation factors (cost-of-living adjustments or COLA) and medical inflation factors (consumer price index-medical or CPIM) to the calculation of projected benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Future Workers' Compensation Benefits - Continued

DOL selects the COLA factors, CPIM factors, and discount rates by averaging the COLA rates, CPIM rates, and interest rates for the current and prior four years. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year.

The COLAs and CPIMs used in the projections for FY 2017 and FY 2016 were as follows:

	COLA		CPIM	
FY	2017	2016	2017	2016
2017	N/A	1.31 %	N/A	2.99 %
2018	1.22 %	1.13 %	3.20 %	3.09 %
2019	1.35 %	1.23 %	3.52 %	3.40 %
2020	1.59 %	1.45 %	3.80 %	3.68 %
2021	1.99 %	1.85 %	3.99 %	3.87 %
2022+	2.26 %	1.85 %	3.91 %	3.87 %

DOL selected the interest rate assumptions whereby projected annual payments were discounted to present value based on interest rate assumptions on the U.S. Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues (the TNC Yield Curve) to reflect the average duration of income payments and medical payments. The average durations for income payments and medical payments were 14.7 and 9.5 years in FY 2017 and 14.7 years and 9.8 years in FY 2016, respectively. Based on averaging the TNC Yield Curves for the current year and the prior four years, the interest rate assumptions for income payments and medical payments were 2.683% and 2.218% in FY 2017 and 2.781% and 2.261% in FY 2016, respectively.

Since FY 2016, there has been an increase in FECA benefits not chargeable to other Federal agencies payable by DOL's FECA Special Benefit Fund (See Note 11). The increase in the liability was due primarily to projected benefits under the War Hazards Compensation Act (WHCA), as amended (42 U.S.C. 1701 et seq.). As a result, the number and value of WHCA settled claims has increased since FY 2016. To accommodate the claims, starting in FY 2016 DOL applied a triangle approach that enhanced matching between the actuarial technique and the lump-sum nature of the WHCA claims. For both WHCA income payments and medical payments, the interest rate assumptions were 2.683% and 2.012% in FY 2017 and FY 2016, respectively.

M. Energy Employees Occupational Illness Compensation Benefits

The Energy Employees Occupational Illness Compensation Fund, established under the authority of the EEOICPA, provides benefits to eligible current or former employees of DOE and its contractors, or to certain survivors of those employees and contractors, as well as benefits to certain beneficiaries of RECA. DOL is responsible for adjudicating and administering claims filed under the EEOICPA. Effective July 31, 2001, compensation of $150,000 and payment of medical expenses from the date a claim is filed are available to covered individuals suffering from designated illnesses incurred as a result of their work with DOE.

The Ronald Reagan National Defense Authorization Act of 2005 amended EEOICPA to include Subtitle E – Contractor Employee Compensation. The amended program grants compensation benefits to covered employees and their families for illness and death arising from exposure to toxic substances at a DOE facility. The amendment also makes it possible for uranium workers as defined under Section 5 of RECA to receive compensation under Part E for illnesses due to toxic substance exposure at a uranium mine or mill covered under that Act.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Energy Employees Occupational Illness Compensation Benefits - Continued

The table below presents assumptions and liabilities as of September 30, 2017 and 2016.

Assumptions and Liabilities	2017	2016
Compensation Liabilities as of September 30		
Average duration	11.1 years	10.9 years
Interest rate used in discounting	2.395%	2.414%
Undiscounted liability	$7.4 billion	$6.6 billion
Discounted liability	$5.8 billion	$5.2 billion
Medical Liabilities as of September 30		
Average duration	19.6 years	17.4 years
Interest rate used in discounting	2.933%	2.949%
Medical inflation in future years 1 through 5	6.0%	5.0%
Medical inflation in future years 6+	5.0%	3.9%
Society of Actuaries Retirement Plans (RP) Mortality Table	RP-2014	RP-2014
Undiscounted liability	$23.2 billion	$15.7 billion
Discounted liability	$13.9 billion	$10.1 billion
Compensation and Medical Total Liabilities[‡] as of September 30		
Undiscounted	$30.5 billion	$22.3 billion
Discounted	$19.7 billion	$15.4 billion
Period used in discounting	59 years	59 years

[‡]Totals may differ slightly due to rounding.

DOL selects interest rate assumptions by averaging interest rates on the TNC Yield Curves for the current and prior four years. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year. DOL selected the interest rate assumptions whereby projected payments were discounted to present value based on interest rate assumptions on the TNC Yield Curve to reflect the average duration of compensation payments and medical payments.

The estimated liability includes the estimated compensation and medical payments for approved cases and filed cases pending approval, as well as claims incurred but not yet filed. The actuarial projection methodology provided an estimate of the ultimate number of reported cases as a result of estimating future reported claims from the historical patterns of reported claims and subsequent claim approval rates. Medical payments were derived by estimating an average benefit award per living employee claimant and by applying the Society of Actuaries Retirement Plans (RP) 2014 mortality tables.

The increases in undiscounted and discounted total liabilities as of September 30, 2017 were primarily due to the increases in the medical inflation assumptions for future years 1 through 5 and for future years 6 and thereafter. The medical inflation assumptions were increased due to the increase in medical costs observed over the past two years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N. Accrued Leave

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. The balance of leave earned but not taken will be paid from future funding sources. Sick leave and other types of non-vested leave are expensed as taken.

O. Employee Health and Life Insurance Benefits

DOL employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP). DOL matches the employee contributions to each program to pay for current benefits. During FY 2017, DOL's contributions to the FEHBP and FEGLIP were $123.2 million and $2.5 million, respectively. During FY 2016, DOL's contributions to the FEHBP and FEGLIP were $120.5 million and $2.5 million, respectively. These contributions are recognized as current operating expenses.

P. Other Retirement Benefits

DOL employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. DOL recognizes a current operating expense for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense must be financed by the U.S. Office of Personnel Management (OPM). Using cost factors supplied by OPM, DOL recorded ORB imputed costs and imputed financing sources of $69.4 million in FY 2017 and $81.9 million in FY 2016.

Q. Employee Pension Benefits

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). For employees participating in CSRS, 7.0% of their gross earnings is withheld and transferred to the Civil Service Retirement and Disability Fund. DOL contributes an additional 7.0% of the employee gross earnings to the Civil Service Retirement and Disability Fund. P.L. 112-96, Section 5001, the "Middle Class Tax Relief and Job Creation Act of 2012," changed the employee and employer contributions for new employees participating in FERS. Employees designated by OPM as FERS Revised Annuity Employees (RAEs) were, in general, new employees hired on or after January 1, 2013. The Bipartisan Budget Act of 2013, section 401, further changed the employee and employer contributions for new employees participating in FERS. Employees designated by OPM as FERS Further Revised Annuity Employees (FRAEs) were, in general, hired on or after January 1, 2014. The percentages of employee contribution/withholding and DOL contribution under FERS, FERS RAE, and FERS FRAE in FY 2017 and FY 2016 are presented in the table below.

	Percentage of Gross Earnings		
FY 2017	FERS	FERS RAE	FERS FRAE
Employee contribution/withholding	0.8%	3.1%	4.4%
DOL contribution	13.7%	11.9%	11.9%
FY 2016	FERS	FERS RAE	FERS FRAE
Employee contribution/withholding	0.8%	3.1%	4.4%
DOL contribution	13.7%	11.9%	11.9%

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q. Employee Pension Benefits - Continued

These totals are transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by OPM. DOL contributions to the CSRS and FERS are recognized as current operating expenses. FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to withholdings. DOL makes matching FICA contributions, recognized as current operating expenses. DOL's matching contributions were $127.4 million during FY 2017 and $125.5 million for FY 2016.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. CSRS participants may contribute up to $18,000 per year of their gross pay to the TSP during calendar years 2017 and 2016, but there is no departmental matching contribution. FERS participants may contribute up to $18,000 per year of their gross pay to the TSP during calendar years 2017 and 2016. CSRS and FERS participants aged 50 years or older may also contribute an additional $6,000 per year in "catch-up" contributions during calendar years 2017 and 2016, but there is no departmental matching on "catch-up" contributions. For employees covered under FERS, DOL contributes 1% of the employees' gross pay to the TSP. DOL also matches employees' contributions dollar-for-dollar on the first 3% of pay contributed each pay period and 50 cents on the dollar for the next 2% of pay contributed. DOL contributions to the TSP are recognized as current operating expenses. Employee and employer contributions to the TSP are transferred to the Federal Retirement Thrift Investment Board. (See Note 14)

DOL recognizes the full cost of providing future CSRS and FERS pension benefits to covered employees at the time the employees' services are rendered. The pension expense recognized in the financial statements equals the service cost for covered DOL employees, less amounts contributed by these employees. Service cost represents the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period.

The measurement of service cost requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM, and applied by DOL to the basic annual compensation of covered employees to arrive at the amount of total pension expense to be recognized in DOL's financial statements.

The excess of total pension expense over the amount contributed by the Department and by DOL's employees represents the amount of pension expense which must be financed directly by OPM. DOL recognized an imputed cost and an imputed financing source equal to the excess amount. DOL does not recognize in its financial statements FERS or CSRS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees. (See Note 14)

R. Net Position

DOL's net position consists of the following:

1. **Cumulative results of operations**

   Cumulative results of operations include the accumulated historical difference between expenses consuming budgetary resources and financing sources providing budgetary resources in DOL's trust, revolving, and special funds; liabilities not consuming budgetary resources net of assets not providing budgetary resources; and DOL's net investment in capitalized assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

R. Employee Pension Benefits - Continued

2. Unexpended appropriations

Unexpended appropriations include the unobligated balances and undelivered orders of DOL's appropriated funds. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until those appropriations are cancelled, five years after the appropriations expire. Unexpired multi-year and no-year appropriations remain available to DOL for obligation in future periods.

S. Net Cost of Operations

1. Operating costs

Full operating costs are comprised of all direct costs consumed by programs and those indirect costs which can be reasonably assigned or allocated to programs. Full costs are reduced by exchange (earned) revenues to arrive at net program cost. The full and net operating costs of DOL's major programs are presented in the Consolidated Statements of Net Cost, and are also reported by program agency and major program. (See Note 15)

2. Earned revenues

Earned revenues arise from exchange transactions which occur through the provision of goods and services for a price, and are deducted from the full cost of DOL's major programs to arrive at net program cost. Earned revenues are recognized by DOL to the extent reimbursements are payable from other Federal agencies and from the public, as a result of costs incurred or services performed on their behalf. Major sources of DOL's earned revenue include reimbursements to the FECA Special Benefit Fund from Federal agencies for the costs of disability compensation and medical care provided to or accrued on behalf of their employees and reimbursements to the UTF from Federal agencies for the cost of unemployment benefits provided to or accrued on behalf of their former employees. (See Note 15)

T. Budgetary Financing Sources

Budgetary financing sources other than earned revenues provide funding for the Department's net cost of operations and are reported on the Consolidated Statements of Changes in Net Position. These financing sources include appropriations received, less appropriations transferred and not available, non-exchange revenue, and transfers without reimbursement, as discussed below:

1. Appropriations received, appropriations used, appropriations transferred, and adjustments

DOL receives financing sources through congressional appropriations to support its operations. A financing source is recognized for these appropriated funds received, less appropriations transferred, or adjusted due to rescission, cancellation, sequestration, or return of permanent indefinite authority. Appropriations are considered used as a financing source when goods and services are received or benefits are provided.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

T. Budgetary Financing Sources - Continued

2. Non-exchange revenues

Non-exchange revenues arise primarily from the Federal government's power to demand payments from the public. Non-exchange revenues are recognized by DOL on the Consolidated Statements of Changes in Net Position and are discussed below. (See Note 16)

Employer taxes

Employer tax revenues are recognized on a modified cash basis, to the extent of cash transferred by the collecting entity to DOL, plus the change in inter-entity balances between the collecting entity and DOL. Inter-entity balances represent revenue received by the collecting entity, net of amounts due to the collecting entity and adjustments made to previous transactions by the collecting entity which have not been transferred to DOL.

Federal and state unemployment taxes represent non-exchange revenues collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service and transferred to designated accounts within the UTF. State unemployment taxes are collected by each state and deposited in separate state accounts within the UTF. Among other things, Federal unemployment taxes are used to pay the Federal share of extended unemployment benefits and to provide for Federal and state administrative expenses related to the operation of the UI program, employment services including veterans' ES, and foreign labor certifications (FLC). Additional Federal collections from states with advances from the fund that have been outstanding for more than two years are used to reduce states' outstanding advance balances. State unemployment taxes are restricted in their use to the payment of unemployment benefits.

Black Lung Disability Trust Fund excise tax

Black Lung Disability Trust Fund excise tax revenues are recognized on a modified cash basis, to the extent of warrants posted by Government-Wide Accounting and the Bureau of the Fiscal Service Funds into the BLDTF. These taxes are imposed on coal sold by producers from mines located in United States. The BLDTF excise taxes are used to pay BLDTF benefits, administrative costs, and debt as mentioned in Note 1.J.2. The BLDTF excise taxes are restricted to these uses. (See Note 1.W)

Interest

The UTF, the Panama Canal Commission Compensation Fund, and the Energy Employees Occupational Illness Compensation Fund receive interest on fund investments. The UTF receives interest from states that had accounts with loans payable to the Federal Unemployment Account (FUA) at the end of the prior fiscal year. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned.

Reimbursement of unemployment benefits and other

The UTF receives reimbursements from state and local government entities and non-profit organizations for the cost of unemployment benefits provided to or accrued on behalf of their employees. These reimbursements are recognized as non-exchange revenue when earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

T. Budgetary Financing Sources - Continued

3. Transfers without reimbursement

Transfers recognized as budgetary financing sources by DOL include transfers from the Department of Homeland Security H-1B Nonimmigrant Petitioner Account to H-1B Funds in ETA and WHD. There are also transfers between DOL entities, primarily for the administration of the UI program. (See Note 17)

U. Other Financing Sources

Other financing sources include items that do not represent budgetary resources.

1. Imputed financing from costs absorbed by others

Financing sources are imputed and recognized by DOL, to provide for pension and other retirement benefit expenses financed by OPM and cybersecurity expenses financed by the Department of Homeland Security. (See Notes 1-P, 1-Q, and 14)

2. Transfers without reimbursement

Transfers recognized as other financing sources by DOL include the transfers of property from the GSA. (See Note 17)

V. Custodial Activity

DOL collects and transfers to the General Fund of the U.S. Treasury custodial non-exchange revenues for penalties levied against employers by OSHA, MSHA, WHD, and EBSA for regulatory violations; and for FECA administrative costs assessed against government corporations in excess of amounts reserved to finance capital improvements in the FECA Special Benefit Fund; and for ETA collections and administrative charges and restitution payments. These collections are not available to the agencies for obligation or expenditure. Penalties and other assessments are recognized as custodial non-exchange revenues when collected or subject to collection. (See Note 20)

W. Significant Assumptions Used in the Statements of Social Insurance (FY 2016 Information is Unaudited) and Statements of Changes in Social Insurance Amounts (FY 2017 and FY 2016 Information is Unaudited)

1. Program Background

The Black Lung Disability Benefit Program provides for compensation, medical, and survivor benefits for eligible coal miners who are totally disabled due to pneumoconiosis (black lung disease) arising out of their coal mine employment and the BLDTF provides benefit payments when no responsible mine operator (RMO) can be assigned the liability or when the liability is adjudicated to the BLDTF, which may occur as a result of, among other things, bankruptcy of the RMO. The OWCP administers the program.

The Federal Coal Mine Health and Safety Act sets Black Lung benefits at 37.5% of the base salary of a Federal employee at level GS-2, Step 1. Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the domestic sale of coal, as are the fund's administrative costs. These taxes are collected by the Internal Revenue Service and transferred to the BLDTF, which was established under the authority of the Black Lung Benefits Revenue Act, and administered by the U.S. Department of the Treasury.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

W. Significant Assumptions Used in the Statements of Social Insurance (FY 2016 Information is Unaudited) and Statements of Changes in Social Insurance Amounts (FY 2017 and FY 2016 Information is Unaudited) - Continued

1. Program Background - continued

P.L. 110-343, Division B-Energy Improvement and Extension Act of 2008, enacted on October 3, 2008, among other things, restructured the BLDTF debt by refinancing the outstanding high interest rate repayable advances with low interest rate discounted debt instruments similar in form to zero-coupon bonds, plus a one-time appropriation. This Act also allowed that any subsequent debt issued by the BLDTF may be used to make benefit payments, other authorized expenditures, or to repay debt and interest from the initial refinancing. (See Notes 1-J and 8)

2. Significant Assumptions

The significant assumptions used in the projections for the Statements of Social Insurance (SOSI) are the coal excise tax revenue estimates, the tax rate structure, the number of beneficiaries, life expectancy, Federal civilian pay raises, medical cost inflation, and the interest rates used to discount future cash flows. These assumptions affect the amounts reported on the SOSI, summary section, and the Statements of Changes in Social Insurance Amounts (SCSIA). The valuation date is September 30 for each year of information presented in the SOSI, including the summary section, and the SCSIA.

Estimated future excise tax income

The black lung coal excise tax rates are $1.10 per ton of underground-mined coal and $0.55 per ton of surface-mined coal sold, with a cap of 4.4% of sales price; these rates continue until the earlier of December 31, 2018 (used in the presentation of the SOSI and SCSIA) or the first December 31 in which there exists no (1) balance of repayable debt described in section 9501 of the Internal Revenue Code and (2) unpaid interest on the debt. At that time, the tax rates will revert to $0.50 per ton of underground-mined coal and $0.25 per ton of surface-mined coal sold, with a limit of 2.0% of sales price.

FYs 2013 through 2016

For FYs 2013 through 2016, DOL estimated future excise tax income using two approaches: one approach was used for the first ten years in the projection period and another approach was used for the remaining years in the projection period. For FYs 2013 through 2015, DOL's projections were based on the estimates provided by Treasury's Office of Tax Analysis (OTA) which provided estimates of future excise tax income of the black lung excise tax for the first ten years in the projection period. OTA's estimates are based on projections of future coal production prepared by the Energy Information Administration (EIA) of the U.S. Department of Energy and coal sale prices prepared by OMB. In FYs 2015 and 2016, OTA used EIA projections of future coal production that reflected, among other things, regulation pursuant to the Clean Power Plan (CPP). In FY 2016, DOL refined the approach to enhance alignment with recent experience; projections were based on estimates provided by OTA (by averaging estimates provided in FYs 2015 and 2016 to reflect regulation pursuant to the CPP), DOL's actual excise tax collections, and actual coal production as reported by EIA.

For the remaining years in the projection period, DOL applied a growth rate to the projection for the tenth year and grew the estimates of future excise tax income year-by-year. In FY 2016, DOL further refined the approach for selecting the growth rate to enhance consistency of future tax receipts over the projection

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

W. Significant Assumptions Used in the Statements of Social Insurance (FY 2016 Information is Unaudited) and Statements of Changes in Social Insurance Amounts (FY 2017 and FY 2016 Information is Unaudited) - Continued

2. Significant Assumptions - continued

period. In FY 2016, the growth rate was based on the average EIA growth rates for future coal production that reflected, among other things, regulation pursuant to the CPP, adjustments to exclude coal exports and lignite (coal exports and lignite are not subject to black lung excise tax), and inflation. In FY 2015, the growth rate was based on the average EIA growth rates for future coal production that reflected, among other things, regulation pursuant to the CPP. In FYs 2013 and 2014, for the remaining years, estimates of future excise tax income used a growth rate based on both historical tax receipts and the Treasury's estimated tax receipts.

In February 2016 the U.S. Supreme Court (SCOTUS) stayed implementation of regulation pursuant to the CPP due to litigation pending in the U.S. Court of Appeals (USCA); as of September 30, 2016, the stay remained in effect. DOL did not change its sources or approaches for estimating future excise tax income for the valuation date as of September 30, 2016 because of the SCOTUS stay.

FY 2017

In FY 2017, DOL developed a model for estimating future excise tax income for all years in the projection period. Among other things, the DOL-developed model was based on historical Treasury excise tax collections and EIA projections of future coal production and coal prices. Historical values for EIA coal production and Internal Revenue Service excise tax collections provide the initial coal production and sales price data to which growth rates are applied. The growth rates are derived from EIA projections of coal production (which are adjusted to exclude coal exports, lignite, and inventory) and average coal prices. The growth rates are applied to the initial production and sales price data to project the estimated future excise tax income. Other assumptions include that, in the long term, ratios for surface- and underground-mined coal, taxed on tonnage or sales price, remain consistent.

In order to be consistent with Executive Branch policy on regulations pursuant to the CPP, DOL's estimates of future excise tax income were based on, among other things, EIA projections that do not reflect CPP regulation. On August 8, 2017, the USCA ordered that the CPP litigation be held in abeyance for 60 days. As of September 30, 2017, the USCA abeyance remained in effect and the February 2016 SCOTUS stay of CPP regulation remained in effect.

<u>**Estimated future administrative costs**</u>

For the first ten years in the projection period, estimates for future administrative costs are supplied by DOL's Budget Office, based on current year enacted amounts. For the remaining years in the projection period, estimates for future administrative costs are based on the number of projected beneficiaries.

<u>**Actuarial future benefit payments to disabled coal miners and dependent survivors**</u>

The beneficiary population data is updated from information supplied by the program. The closed group population consists of those who are already participants as of September 30 (the beginning of the projection period); the open group population consists of participants in the closed group, plus new participants who will join during the projection period. New participants include, among others, estimates

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

W. Significant Assumptions Used in the Statements of Social Insurance (FY 2016 Information is Unaudited) and Statements of Changes in Social Insurance Amounts (FY 2017 and FY 2016 Information is Unaudited) - Continued

2. Significant Assumptions - continued

for participants for whom the BLDTF has an adjudicated liability as of September 30 (due to, among other things, bankruptcy of the RMO), but had not yet been added to the rolls.

In FYs 2013 through 2015, the beneficiary population was assumed to be a nearly closed universe in which attrition by death exceeded new entrants by a ratio of more than ten to one; projections for new participants were included in the overall projections and were considered immaterial. Therefore, in FYs 2013 through 2015, the difference between the closed group population and the open group population due to new participants was immaterial and the SOSI presents the same values for the closed group and open group, including the closed group measure and open group measure.

During FY 2016, the number of participants who joined the rolls increased due to, among other things, adjudicated liability as a result of RMO bankruptcy; projections for the number of new participants increased for similar reasons and the BLDTF management determined that the difference between the size of the closed group population and the open group population merited separate reporting for new participants. Effective for FY 2016 reporting and subsequent years, the SOSI presents values for the closed group, new participants, and open group. For FY 2017, projections for the number of new participants also increased.

In FYs 2013 through 2015, U.S. Social Security Administration (SSA) life tables were used to project the life expectancies of the beneficiary population, whereas in FYs 2016 and 2017, a blend of SSA tables and historical program data was used. OMB supplies assumptions for future monthly benefit rate increases based on increases in the Federal pay scale and future medical cost inflation based on increases in the CPIM, which are used to calculate future benefit costs.

During the current projection period, the future benefit rate (annualized for the fiscal year) increases 1.3% in 2018, 1.5% per year for 2019 through 2022, 1.7% in 2023, and 1.8% in 2024 and each year thereafter and medical cost increases 8.6% per year for 2018 through 2020, 7.6% in 2021, 6.5% in 2022 and 5.4% in 2023 and each year thereafter.

Other significant assumptions

Estimated future excise tax income and estimated future administrative costs were allocated to the closed group and new participant populations based on the ratio of each population's future benefit payments to the sum of future benefit payments for both populations.

For the SOSI with valuation dates as of September 30, 2013, 2014, 2015, and 2016, the projection period had a fixed terminus of September 30, 2040, the date when the BLDTF's last debt instrument matured. A projection period ending at September 30, 2040 illustrated the future long-term condition and sustainability of the fund because it presented the value for open group measure plus fund assets (Funds with U.S. Treasury and receivables from benefit overpayments) available to service the BLDTF debt and interest until the last debt instrument matured.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

W. Significant Assumptions Used in the Statements of Social Insurance (FY 2016 Information is Unaudited) and Statements of Changes in Social Insurance Amounts (FY 2017 and FY 2016 Information is Unaudited) - Continued

2. Significant Assumptions - continued

In FY 2017, DOL revised the projection period from a fixed terminus of September 30, 2040 to a rolling 25-year projection period that begins on the September 30 valuation date each year; using a 25-year projection period enhances comparability of social insurance information and continues to illustrate the fund's long-term condition and sustainability. The revised projection period became effective for the September 30, 2017 valuation date.

In FYs 2014 through 2017, DOL's approach for selecting the interest rate assumptions used to discount projected annual cash flows enhanced matching between the timing of cash flows and interest rates and increased comparability; the approach had been refined in FY 2014. The approach discounts projected annual cash flows to present value based on Treasury rates that reflect the average duration of cash flows. The table below presents the average duration in years and discount rates that were used in FYs 2014, 2015, 2016, and 2017.

Projected Annual Cash Flows	Used for the Closed Group, New Participant, and Open Group Populations	
FY 2017	Average Duration	Discount Rate
Coal excise tax income	11.4 years	2.25%
Administrative costs	11.2 years	2.25%
Income benefit payments	9.8 years	2.13%
Medical benefit payments	11.4 years	2.25%
FY 2016	Average Duration	Discount Rate
Coal excise tax income	10.6 years	1.63%
Administrative costs	11.0 years	1.63%
Income benefit payments	9.8 years	1.63%
Medical benefit payments	10.8 years	1.63%
FY 2015	Average Duration	Discount Rate
Coal excise tax income	10.6 years	2.25%
Administrative costs	11.2 years	2.25%
Income benefit payments	10.3 years	2.25%
Medical benefit payments	11.2 years	2.25%
FY 2014	Average Duration	Discount Rate
Coal excise tax income	12.2 years	2.63%
Administrative costs	11.2 years	2.63%
Income benefit payments	10.4 years	2.50%
Medical benefit payments	11.3 years	2.63%

In FY 2013, projected annual cash flows were discounted to present value based on OMB's interest rate assumptions which were interpolated to reflect the average duration of cash flows; the discount rates ranged between 2.79% and 2.95%.

3. Disclosures for the social insurance financial statements

As presented in the SOSI, the accumulated deficit of all past disbursements over past cash receipts, including interest on investments, is $(5.61) billion, the amount of the trust fund net position deficit at the start of the projection period, September 30, 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

W. Significant Assumptions Used in the Statements of Social Insurance (FY 2016 Information is Unaudited) and Statements of Changes in Social Insurance Amounts (FY 2017 and FY 2016 Information is Unaudited) - Continued

3. Disclosures for the social insurance financial statements - continued

As presented in the SOSI, the closed group measure is calculated by subtracting the closed group outflows for the:

(a) present value of estimated future administrative costs and

(b) actuarial present value of future benefit payments to disabled coal miners and dependent survivors who are current participants (closed group)

from the closed group inflows for the:

(c) present value of estimated future excise tax income during the projection period.

As presented in the SCSIA, as a result of changes in the assumptions above:

- In FY 2017, the open group measure decreased by $(859.0) million primarily due to projected lower coal excise tax revenues and projected higher costs of beneficiaries as a result of, among other things, projected higher costs for new participants; and
- In FY 2016, the open group measure decreased by $(706.7) million primarily due to projected lower coal excise tax revenues and higher administrative costs, offset in part due to the change in interest rates used to discount the cash flows from 2.25% in FY 2015 to 1.63% in FY 2016.

The SOSI as of September 30, 2015, 2014, and 2013 were reclassified to conform to the presentation of the SOSI as of September 30, 2017 and 2016. There were no changes in the values reported for the

- closed group, including the closed group measure,
- open group, including the open group measure,
- trust fund net position deficit,
- funds with U.S. Treasury and receivables from benefits overpayments,
- total of closed group measure plus fund assets, or
- total of open group measure plus fund assets

as of September 30, 2015, 2014, and 2013.

The projection period illustrates the future long-term condition and sustainability of the fund because it presents the value for open group measure plus fund assets (Funds with U.S. Treasury plus receivables from benefit overpayments) available to service the fund's debt and interest. As of September 30, 2017, the open group measure plus fund assets is $175.7 million whereas the BLDTF debt and interest maturing on September 30, 2018 is $1.86 billion and the carrying value of all BDLTF debt as of September 30, 2017 is $5.74 billion. The excess of BLDTF debt over the open group measure plus fund assets together with the fund deficit of $(5.61) billion represent a material concentration of risk for the Department.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

W. Significant Assumptions Used in the Statements of Social Insurance (FY 2016 Information is Unaudited) and Statements of Changes in Social Insurance Amounts (FY 2017 and FY 2016 Information is Unaudited) - Continued

3. Disclosures for the social insurance financial statements - continued

Subsequent Events. The August 8, 2017 USCA abeyance order expired; on November 9, 2017, the USCA issued another order to abey litigation pursuant to the CPP for 60 days. As of November 15, 2017, the

- February 2016 SCOTUS stay of regulation pursuant to the CPP remained in effect and
- November 9, 2017 USCA order to abey litigation pursuant to the CPP remained in effect.

For FY 2017 reporting, DOL's assumptions did not include regulation pursuant to the CPP. As of November 15, 2017, these assumptions remained consistent with Executive Branch policy on regulation pursuant to the CPP.

X. Tax Exempt Status

As an agency of the Federal government, the Department is exempt from all taxes imposed by any governing body whether it is a Federal, state, commonwealth, local, or foreign government.

Y. Application of Critical Accounting Estimates

The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions.

Estimates and assumptions affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and assumptions also affect the amounts reported on the SOSI and the SCSIA. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

Z. Effects of Hurricanes

Management has evaluated DOL's program and administrative costs incurred through September 30, 2017 in response to Hurricanes Harvey, Irma, and Maria and has determined that the costs do not materially impact the financial statements.

DOL conducted assessments of its PP&E for damage caused by the hurricanes and management has determined that there are no material impairments that require adjustment to the carrying value of assets or disclosure in the financial statements.

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury as of September 30, 2017, consisted of the following:

(Dollars in thousands)	Revolving Funds	Trust Funds	Special Funds	General Funds	Other	Total
Unobligated Balance Available	$ 219	$ 146	$ 104,146	$ 3,035,948	$ -	$ 3,140,459
Unobligated Balance Unavailable	7,116	-	63,948	686,469	-	757,533
Obligated Balance Not Yet Disbursed	204,620	11,432	613,657	6,881,611	-	7,711,320
Non-Budgetary Fund Balance with Treasury	-	507,359	127	66	4,293	511,845
Total Entity Assets	211,955	518,937	781,878	10,604,094	4,293	12,121,157
Non-entity Assets	-	(172)	-	-	712	540
Fund Balance with Treasury	$ 211,955	$ 518,765	$ 781,878	$ 10,604,094	$ 5,005	$12,121,697

Funds with U.S. Treasury as of September 30, 2016, consisted of the following:

(Dollars in thousands)	Revolving Funds	Trust Funds	Special Funds	General Funds	Other	Total
Unobligated Balance Available	$ 11,371	$ 138	$ 111,636	$ 2,960,740	$ -	$ 3,083,885
Unobligated Balance Unavailable	5,696	-	54,423	774,960	-	835,079
Obligated Balance Not Yet Disbursed	180,495	11,891	650,129	6,686,753	-	7,529,268
Non-Budgetary Fund Balance with Treasury	-	505,868	188	66	-	506,122
Total Entity Assets	197,562	517,897	816,376	10,422,519	-	11,954,354
Non-entity Assets	-	(86)	-	-	6,462	6,376
Fund Balance with Treasury	$ 197,562	$ 517,811	$ 816,376	$ 10,422,519	$ 6,462	$11,960,730

Obligated and unobligated balances differ from the amounts reported on the Combined Statements of Budgetary Resources because budgetary balances are supported by amounts other than Fund Balance with Treasury, such as investments. Non-Budgetary Fund Balance with Treasury consists of amounts included in Fund Balance with Treasury but excluded from the Department's budgetary resources, such as sequestered budget authority.

The negative fund balance reported as of September 30, 2017 and 2016, relates to the UTF and is the result of the timing of processing the investments and redemptions of UTF. The investments and redemptions relating to the last business day of the month are not processed until the first day of the next month. This results in a negative cash position for the preceding business day when the disbursements are greater than the receipts to the fund.

Annual and multi-year budget authority expires at the end of its period of availability. During the first through the fifth expired years, the unobligated balance is unavailable and may be used to adjust obligations and disbursements that were recorded before the budgetary authority expired or to meet a legitimate or bona fide need arising in the fiscal year for which the appropriation was made. The unobligated balance for no-year budget authority may be used to incur obligations indefinitely for the purpose specified by the appropriation act. No-year budget authority unobligated balances, except those specifically exempt, are subject to the annual apportionment and allotment process.

Unobligated Balance Available as of September 30, 2017 and 2016, includes $464.5 million and $466.7 million, respectively, of funds apportioned for use in the subsequent year period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

NOTE 3 - INVESTMENTS

Investments as of September 30, 2017, consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Interest Receivable	Net Value	Market Value
Unemployment Trust Fund					
Non-marketable					
Special issue U.S. Treasury Bonds					
2.250% maturing June 30, 2019	$ 31,494,485	$ -	$ 177,156	$ 31,671,641	$ 31,494,485
2.250% maturing June 30, 2018	20,222,053	-	113,749	$ 20,335,802	20,222,053
Special issue Certificate of Indebtedness					
2.250% maturing June 30, 2018	8,994,316	-	31,832	9,026,148	8,994,316
	$ 60,710,854	$ -	$ 322,737	$ 61,033,591	$ 60,710,854
Panama Canal Commission Compensation Fund					
Marketable					
U.S. Treasury Notes					
4.250% maturing November 15, 2017	33,064	127	527	33,718	33,064
	$ 60,743,918	$ 127	$ 323,264	$ 61,067,309	$ 60,743,918
Entity investments	$ 60,667,972	$ 127	$ 322,860	$ 60,990,959	$ 60,667,972
Non-entity investments	75,946	-	404	76,350	75,946
	$ 60,743,918	$ 127	$ 323,264	$ 61,067,309	$ 60,743,918

NOTE 3 - INVESTMENTS - Continued

Investments as of September 30, 2016, consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Interest Receivable	Net Value	Market Value
Unemployment Trust Fund					
Non-marketable					
Special issue U.S. Treasury Bonds					
2.250% maturing June 30, 2018	$ 19,404,903	$ -	$ 109,153	$ 19,514,056	$ 19,404,903
2.250% maturing June 30, 2017	25,217,893	-	141,851	25,359,744	25,217,893
Special issue Certificate of Indebtedness					
2.250% maturing June 30, 2017	9,153,650	-	32,964	9,186,614	9,153,650
	$ 53,776,446	$ -	$ 283,968	$ 54,060,414	$ 53,776,446
Panama Canal Commission Compensation Fund					
Marketable					
U.S. Treasury Notes					
4.625% maturing November 15, 2016	37,112	188	644	37,944	37,112
	$ 53,813,558	$ 188	$ 284,612	$ 54,098,358	$ 53,813,558
Entity investments	$ 53,745,822	$ 188	$ 284,254	$ 54,030,264	$ 53,745,822
Non-entity investments	67,736	-	358	68,094	67,736
	$ 53,813,558	$ 188	$ 284,612	$ 54,098,358	$ 53,813,558

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable, net as of September 30, 2017, consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 174,436	$ -	$ 174,436
Due for workers' compensation benefits	5,215,870	-	5,215,870
Other	5,932	-	5,932
	5,396,238	-	5,396,238
Entity assets			
State unemployment taxes	979,021	(688,746)	290,275
Due from reimbursable employers	508,816	(62,582)	446,234
Benefit overpayments	2,454,345	(2,024,907)	429,438
Other	11,005	(1,681)	9,324
	3,953,187	(2,777,916)	1,175,271
Non-entity assets			
Fines and penalties	215,937	(38,991)	176,946
	4,169,124	(2,816,907)	1,352,217
	$ 9,565,362	$ (2,816,907)	$ 6,748,455

Accounts receivable, net as of September 30, 2016, consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 211,619	$ -	$ 211,619
Due for workers' compensation benefits	5,321,691	-	5,321,691
Other	1,364	-	1,364
	5,534,674	-	5,534,674
Entity assets			
State unemployment taxes	1,039,105	(747,876)	291,229
Due from reimbursable employers	502,969	(43,261)	459,708
Benefit overpayments	2,922,204	(2,450,209)	471,995
Other	4,677	-	4,677
	4,468,955	(3,241,346)	1,227,609
Non-entity assets			
Fines and penalties	192,142	(40,722)	151,420
	4,661,097	(3,282,068)	1,379,029
	$ 10,195,771	$ (3,282,068)	$ 6,913,703

The September 30, 2017 intra-governmental balance due for workers' compensation benefits includes $1.51 billion in billed receivables from the U.S. Postal Service (USPS), of which $1.36 billion was billed in fiscal year 2017. The USPS reimbursed the Fund for costs incurred on its behalf during FY 2017 and 2016, except for a portion of the scheduled chargeback payment for the 12 months ended June 30, 2016, in the amount of $151 million that the USPS continued to withhold from payment since October 2016. However, OWCP considers all intra-governmental receivables fully collectible in general and, specifically, based on the statutory provision requiring the chargeback payment.

NOTE 5 - GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

General property, plant and equipment, net as of September 30, 2017, consisted of the following:

	2017		
(Dollars in thousands)	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 1,596,640	$ (767,283)	$ 829,357
Improvements to leased facilities	397,862	(317,119)	80,743
	1,994,502	(1,084,402)	910,100
Furniture and equipment			
Equipment held by contractors	95,128	(95,128)	-
Furniture and equipment	70,250	(45,469)	24,781
	165,378	(140,597)	24,781
Internal use software and software in development	272,150	(165,644)	106,506
Construction-in-progress	69,966	-	69,966
Land	99,515	-	99,515
	$ 2,601,511	$ (1,390,643)	$ 1,210,868

General property, plant and equipment, net as of September 30, 2016, consisted of the following:

	2016		
(Dollars in thousands)	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 1,586,263	$ (721,587)	$ 864,676
Improvements to leased facilities	398,136	(308,606)	89,530
	1,984,399	(1,030,193)	954,206
Furniture and equipment			
Equipment held by contractors	115,414	(115,414)	-
Furniture and equipment	76,823	(45,197)	31,626
	192,237	(160,611)	31,626
Internal use software and software in development	267,659	(153,398)	114,261
Construction-in-progress	64,471	-	64,471
Land	99,516	-	99,516
	$ 2,608,282	$ (1,344,202)	$ 1,264,080

NOTE 6 - ADVANCES

Advances as of September 30, 2017 and 2016, consisted of the following:

(Dollars in thousands)	2017	2016
Intra-governmental		
Advances	$ 6,389	$ 3,409
Advances to states for UI benefit payments	1,119,362	1,104,566
Other	11,411	1,406
	1,130,773	1,105,972
	$ 1,137,162	$ 1,109,381

NOTE 7 - NON-ENTITY ASSETS

Non-entity assets as of September 30, 2017 and 2016, consisted of the following:

(Dollars in thousands)	2017	2016
Intra-governmental		
Funds with U.S. Treasury	$ 540	$ 6,376
Investments	76,350	68,094
	76,890	74,470
Accounts receivable, net of allowance	176,946	151,420
Total non-entity assets	253,836	225,890
Total entity assets	82,031,655	75,120,362
	$ 82,285,491	$ 75,346,252

NOTE 8 - DEBT

Debt during FY 2017 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2016	Additional Borrowing	Repayment of Debt	Interest Change	Balance at September 30, 2017
Intra-governmental debt to Treasury					
Unemployment Trust Fund					
Advances from U.S. Treasury	$ 8,558,484	$ -	$ (5,922,657)	$ (11,546)	$ 2,624,281
Black Lung Disability Trust Fund					
Borrowing from U.S. Treasury	5,706,431	1,285,000	(1,303,126)	55,672	5,743,977
	$ 14,264,915	$ 1,285,000	$ (7,225,783)	$ 44,126	$ 8,368,258

Debt during FY 2016 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2015	Additional Borrowing	Repayment of Debt	Interest Change	Balance at September 30, 2016
Intra-governmental debt to Treasury					
Unemployment Trust Fund					
Advances from U.S. Treasury	$ 12,840,065	$ -	$ (4,265,223)	$ (16,358)	$ 8,558,484
Black Lung Disability Trust Fund					
Borrowing from U.S. Treasury	5,687,121	910,000	(981,213)	90,523	5,706,431
	$ 18,527,186	$ 910,000	$ (5,246,436)	$ 74,165	$ 14,264,915

NOTE 8 - DEBT - Continued

For the year ended September 30, 2017, interest expense for the UTF was $142.5 million, of which 132.6 million was paid, along with an additional interest payment of $21.4 million for interest accrued through September 30, 2016. For the year ended September 30, 2016, interest expense for the UTF was $314.3 million, of which $293.0 million was paid, along with an additional interest payment of $37.7 million for interest accrued through September 30, 2015.

For the year ended September 30, 2017, interest expense for the BLDTF was $208.4 million, of which $55.6 million was capitalized interest and $152.8 million was paid. For the year ended September 30, 2016, interest expense for the BLDTF was $213.7 million, of which $90.5 million was capitalized interest and $123.2 million was paid.

NOTE 9 - OTHER LIABILITIES

Other liabilities as of September 30, 2017 and 2016, consisted of the following:

(Dollars in thousands)	2017	2016
Intra-governmental		
Non-entity receivables due to U.S. Treasury	$ 176,946	$ 151,420
Amounts held for the Railroad Retirement Board	76,177	68,007
Accrued payroll and other liabilities	23,530	30,384
Total intra-governmental	276,653	249,811
Grant accruals	581,198	664,518
Capital lease liability	35,708	37,271
Environmental and disposal liability	34,972	34,885
Accrued payroll and other liabilities	95,416	100,196
Total other liabilities with the public	747,294	836,870
	$ 1,023,947	$ 1,086,681

The amounts above are current liabilities, except for the capital lease and environmental and disposal liabilities.

NOTE 10 - ACCRUED BENEFITS

Accrued benefits as of September 30, 2017 and 2016, consisted of the following:

(Dollars in thousands)	2017	2016
State regular and extended unemployment benefits payable	$ 689,184	$ 997,378
Federal extended unemployment benefits payable	82,722	83,359
Federal emergency unemployment benefits payable	173,579	174,621
Federal employees' unemployment benefits payable	106,379	128,755
Federal additional unemployment benefits payable	24,756	25,435
Total unemployment benefits payable	1,076,620	1,409,548
Federal employees' disability and 10(h) benefits payable	182,347	185,968
Black lung disability benefits payable	18,094	19,513
Energy employees occupational illness compensation benefits payable	25,796	27,466
	$ 1,302,857	$ 1,642,495

NOTE 11 - FUTURE WORKERS' COMPENSATION BENEFITS

DOL's liability for future workers' compensation benefits as of September 30, 2017 and 2016, consisted of the following:

(Dollars in thousands)	2017	2016
Projected gross liability of the Federal government for future FECA benefits	$ 37,730,695	$ 36,453,650
Less liabilities attributed to other agencies:		
U.S. Postal Service	(16,556,554)	(16,228,868)
Department of Homeland Security	(2,881,906)	(2,752,677)
Department of Veterans Affairs	(2,396,057)	(2,322,213)
Department of the Navy	(2,144,430)	(2,140,650)
Department of the Army	(1,774,529)	(1,734,174)
Department of Justice	(1,785,920)	(1,725,538)
Department of the Air Force	(1,230,531)	(1,247,468)
Department of Agriculture	(900,586)	(904,661)
Department of Transportation	(886,192)	(874,184)
Department of Defense, Other	(786,479)	(810,252)
Department of the Interior	(756,731)	(773,999)
Department of the Treasury	(593,169)	(597,277)
Tennessee Valley Authority	(356,583)	(366,709)
Social Security Administration	(319,429)	(327,213)
Department of Health and Human Services	(278,422)	(272,268)
Department of Commerce	(200,336)	(206,611)
General Services Administration	(113,261)	(114,700)
Department of Energy	(95,746)	(93,810)
Department of State	(94,687)	(90,019)
Department of Housing and Urban Development	(64,880)	(64,434)
Environmental Protection Agency	(45,244)	(45,037)
National Aeronautics and Space Administration	(37,856)	(38,306)
Small Business Administration	(34,889)	(32,676)
Office of Personnel Management	(25,000)	(23,623)
Agency for International Development	(26,938)	(22,542)
Department of Education	(13,763)	(14,789)
Nuclear Regulatory Commission	(5,370)	(5,608)
National Science Foundation	(1,249)	(1,171)
Other	(701,662)	(704,695)
	(35,108,399)	(34,536,172)
	$ 2,622,296	$ 1,917,478
Projected liability of the Department of Labor for future FECA benefits		
FECA benefits not chargeable to other Federal agencies payable by DOL's Federal Employees' Compensation Act Special Benefit Fund	$ 2,369,528	$ 1,661,740
FECA benefits due to eligible workers of DOL and Job Corps enrollees	220,323	221,560
FECA benefits due to eligible workers of the Panama Canal Commission	32,445	34,178
	$ 2,622,296	$ 1,917,478

NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources as of September 30, 2017 and 2016, consisted of the following:

(Dollars in thousands)	2017	2016
Intra-governmental		
Debt	$ 8,368,258	$ 14,264,915
Future workers' compensation benefits	1,060,654	664,271
Accrued annual leave	119,899	121,222
Other liabilities	64,051	67,711
	1,244,604	853,204
Total liabilities not covered by budgetary resources	9,612,862	15,118,119
Total liabilities covered by budgetary resources	23,821,883	19,635,737
	$ 33,434,745	$ 34,753,856

NOTE 13 - CONTINGENCIES

The Department is involved in various lawsuits incidental to its operations. In the opinion of management, the ultimate resolution of pending litigation will not have a material effect on the Department's financial position.

NOTE 14 - PENSION EXPENSE

Pension expense in FY 2017 consisted of the following:

(Dollars in thousands)	Employer Contributions	Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 5,967	$ 17,002	$ 22,969
Federal Employees' Retirement System	187,274	5,611	192,885
Thrift Savings Plan	60,899	-	60,899
	$ 254,140	$ 22,613	$ 276,753

Pension expense in FY 2016 consisted of the following:

(Dollars in thousands)	Employer Contributions	Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 7,369	$ 20,346	$ 27,715
Federal Employees' Retirement System	184,971	4,302	189,273
Thrift Savings Plan	59,808	-	59,808
	$ 252,148	$ 24,648	$ 276,796

NOTE 15 - NET COST OF OPERATIONS

Note 15 A and B present detailed cost and revenue information by program and program agency (responsibility segment) in support of the summary information presented in the Consolidated Statements of Net Cost for the year ended September 30, 2017 and 2016, respectively. Note 15 C presents a further breakdown of this cost and revenue information for DOL's two largest program agencies, ETA and the OWCP. (See Note 1-A.1 and 1-S)

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NOTE 15 - NET COST OF OPERATIONS - Continued

A. Consolidating Statements of Net Cost by Program Agency

Net cost of operations by program agency for the year ended September 30, 2017, consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs	Office of Job Corps	Occupational Safety and Health Administration
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 240,937	$ 292,954	$ -	$ -
With the public	34,001,559	9,768,334	-	-
Gross cost	34,242,496	10,061,288	-	-
Intra-governmental earned revenue	(469,439)	(2,786,455)	-	-
Public earned revenue	(5,004)	(882)	-	-
Less earned revenue	(474,443)	(2,787,337)	-	-
Net program cost	33,768,053	7,273,951	-	-
Employment and training				
Intra-governmental	52,223	-	58,471	-
With the public	4,285,205	-	1,536,251	-
Gross cost	4,337,428	-	1,594,722	-
Intra-governmental earned revenue	(1,662)	-	-	-
Less earned revenue	(1,662)	-	-	-
Net program cost	4,335,766	-	1,594,722	-
Labor, employment and pension standards				
Intra-governmental	-	-	-	-
With the public	-	-	-	-
Gross cost	-	-	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
Worker safety and health				
Intra-governmental	-	-	-	124,769
With the public	-	-	-	490,126
Gross cost	-	-	-	614,895
Intra-governmental earned revenue	-	-	-	(29)
Public earned revenue	-	-	-	(1,950)
Less earned revenue	-	-	-	(1,979)
Net program cost	-	-	-	612,916
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	-
With the public	-	-	-	-
Gross cost	-	-	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 38,103,819	$ 7,273,951	$ 1,594,722	$ 612,916

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Wage and Hour Division	Other Program Agencies	Total
$ -	$ -	$ 166	$ -	$ -	$ -	$ 534,057
-	-	474	-	-	1,232	43,771,599
-	-	640	-	-	1,232	44,305,656
-	-	-	-	-	-	(3,255,894)
-	-	-	-	-	-	(5,886)
-	-	-	-	-	-	(3,261,780)
-	-	640	-	-	1,232	41,043,876
-	-	-	13,556	975	377	125,602
-	-	-	175,854	2,896	1,177	6,001,383
-	-	-	189,410	3,871	1,554	6,126,985
-	-	-	(1,658)	-	-	(3,320)
-	-	-	(1,658)	-	-	(3,320)
-	-	-	187,752	3,871	1,554	6,123,665
-	86	56,818	537	102,767	56,749	216,957
-	214	171,912	7,298	228,232	259,368	667,024
-	300	228,730	7,835	330,999	316,117	883,981
-	-	(7,468)	(69)	(6)	(4)	(7,547)
-	-	-	-	(4,000)	-	(4,000)
-	-	(7,468)	(69)	(4,006)	(4)	(11,547)
-	300	221,262	7,766	326,993	316,113	872,434
-	118,304	-	-	-	210	243,283
-	304,557	-	-	-	1,062	795,745
-	422,861	-	-	-	1,272	1,039,028
-	-	-	-	-	-	(29)
-	(1,352)	-	-	-	-	(3,302)
-	(1,352)	-	-	-	-	(3,331)
-	421,509	-	-	-	1,272	1,035,697
228,645	-	-	-	-	133	228,778
429,656	-	-	-	-	1,228	430,884
658,301	-	-	-	-	1,361	659,662
(28,625)	-	-	-	-	-	(28,625)
(502)	-	-	-	-	-	(502)
(29,127)	-	-	-	-	-	(29,127)
629,174	-	-	-	-	1,361	630,535
-	-	-	-	-	48,285	48,285
-	-	-	-	-	(33,069)	(33,069)
-	-	-	-	-	15,216	15,216
$ 629,174	$ 421,809	$ 221,902	$ 195,518	$ 330,864	$ 336,748	$ 49,721,423

NOTE 15 - NET COST OF OPERATIONS - Continued

B. Consolidating Statements of Net Cost by Program Agency

Net cost of operations by program agency for the year ended September 30, 2016, consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs	Office of Job Corps	Occupational Safety and Health Administration
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 431,992	$ 306,658	$ -	$ -
With the public	36,726,222	5,840,503	-	-
Gross cost	37,158,214	6,147,161	-	-
Intra-governmental earned revenue	(522,330)	(3,021,570)	-	-
Public earned revenue	(74)	(910)	-	-
Less earned revenue	(522,404)	(3,022,480)	-	-
Net program cost	36,635,810	3,124,681	-	-
Employment and training				
Intra-governmental	48,762	-	62,428	-
With the public	4,350,826	-	1,575,816	-
Gross cost	4,399,588	-	1,638,244	-
Intra-governmental earned revenue	(9,226)	-	(129)	-
Less earned revenue	(9,226)	-	(129)	-
Net program cost	4,390,362	-	1,638,115	-
Labor, employment and pension standards				
Intra-governmental	-	-	-	-
With the public	-	-	-	-
Gross cost	-	-	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
Worker safety and health				
Intra-governmental	-	-	-	126,310
With the public	-	-	-	488,693
Gross cost	-	-	-	615,003
Intra-governmental earned revenue	-	-	-	(2,031)
Public earned revenue	-	-	-	(2,250)
Less earned revenue	-	-	-	(4,281)
Net program cost	-	-	-	610,722
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	-
With the public	-	-	-	-
Gross cost	-	-	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 41,026,172	$ 3,124,681	$ 1,638,115	$ 610,722

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Wage and Hour Division	Other Program Agencies	Total
$ -	$ -	$ 311	$ 21	$ -	$ -	$ 738,982
-	-	2,042	136	-	6,271	42,575,174
-	-	2,353	157	-	6,271	43,314,156
-	-	(1,234)	(82)	-	-	(3,545,216)
-	-	-	-	-	-	(984)
-	-	(1,234)	(82)	-	-	(3,546,200)
-	-	1,119	75	-	6,271	39,767,956
-	-	-	13,220	-	130	124,540
-	-	-	249,730	-	803	6,177,175
-	-	-	262,950	-	933	6,301,715
-	-	-	(283)	-	(407)	(10,045)
-	-	-	(283)	-	(407)	(10,045)
-	-	-	262,667	-	526	6,291,670
-	86	59,632	524	99,750	64,005	223,997
-	206	175,273	10,422	217,008	285,112	688,021
-	292	234,905	10,946	316,758	349,117	912,018
-	-	(10,134)	(56)	(14)	(6,273)	(16,477)
-	-	-	-	(2,800)	-	(2,800)
-	-	(10,134)	(56)	(2,814)	(6,273)	(19,277)
-	292	224,771	10,890	313,944	342,844	892,741
-	136,544	-	-	-	-	262,854
-	321,397	-	-	-	-	810,090
-	457,941	-	-	-	-	1,072,944
-	(1,687)	-	-	-	-	(3,718)
-	(1,710)	-	-	-	-	(3,960)
-	(3,397)	-	-	-	-	(7,678)
-	454,544	-	-	-	-	1,065,266
231,864	-	-	-	-	-	231,864
428,740	-	-	-	-	-	428,740
660,604	-	-	-	-	-	660,604
(31,755)	-	-	-	-	-	(31,755)
(410)	-	-	-	-	-	(410)
(32,165)	-	-	-	-	-	(32,165)
628,439	-	-	-	-	-	628,439
-	-	-	-	-	18,505	18,505
-	-	-	-	-	(9,680)	(9,680)
-	-	-	-	-	8,825	8,825
$ 628,439	$ 454,836	$ 225,890	$ 273,632	$ 313,944	$ 358,466	$ 48,654,897

NOTE 15 - NET COST OF OPERATIONS – Continued

C. Statements of Net Cost - Employment and Training Administration and Office of Workers' Compensation Programs

Net cost of operations for the year ended September 30, 2017, consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs
CROSSCUTTING PROGRAMS		
Income maintenance		
Benefits	$ 29,361,055	$ 9,438,758
Grants	3,789,097	-
Interest	145,733	208,431
Administrative and other	946,611	414,099
Gross cost	34,242,496	10,061,288
Less earned revenue	(474,443)	(2,787,337)
Net program cost	33,768,053	7,273,951
Employment and training		
Grants	4,042,072	-
Administrative and other	295,356	-
Gross cost	4,337,428	-
Less earned revenue	(1,662)	-
Net program cost	4,335,766	-
Net cost of operations	$ 38,103,819	$ 7,273,951

Net cost of operations for the year ended September 30, 2016, consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs
CROSSCUTTING PROGRAMS		
Income maintenance		
Benefits	$ 31,940,871	$ 5,541,965
Grants	3,719,768	-
Interest	315,479	213,748
Administrative and other	1,182,096	391,448
Gross cost	37,158,214	6,147,161
Less earned revenue	(522,404)	(3,022,480)
Net program cost	36,635,810	3,124,681
Employment and training		
Grants	4,128,706	-
Administrative and other	270,882	-
Gross cost	4,399,588	-
Less earned revenue	(9,226)	-
Net program cost	4,390,362	-
Net cost of operations	$ 41,026,172	$ 3,124,681

NOTE 16 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statements of Changes in Net Position in FY 2017 and FY 2016 consisted of the following:

(Dollars in thousands)	2017	2016
Employer taxes		
Unemployment Trust Fund		
State unemployment taxes	$ 35,931,506	$ 38,683,639
Federal unemployment taxes	8,124,155	8,247,537
	44,055,661	46,931,176
Black Lung Disability Trust Fund excise taxes	428,712	439,616
	44,484,373	47,370,792
Interest		
Unemployment Trust Fund	1,305,370	1,218,167
Other	1,651	1,185
	1,307,021	1,219,352
Reimbursement of unemployment benefits and other	1,608,954	1,597,412
	$ 47,400,348	$ 50,187,556

NOTE 17 - TRANSFERS WITHOUT REIMBURSEMENT

Transfers from other Federal agencies in FY 2017 and FY 2016 consisted of the following:

(Dollars in thousands)	2017	2016
Budgetary financing sources		
From H-1B Nonimmigrant Petitioner Account, Department of Homeland Security and other	$ 193,871	$ 250,428
Other financing sources		
From General Services Administration	1,595	4,930
	$ 195,466	$ 255,358

The balance of $193.9 million and $250.4 million in budgetary financing sources for FY 2017 and FY 2016, reflect the elimination of intra-DOL transfers of ($3.6) billion and ($3.6) billion, respectively.

NOTE 18 - STATUS OF BUDGETARY RESOURCES

A. Apportionment Categories of New Obligations and Upward Adjustments

New obligations and upward adjustments reported on the Combined Statements of Budgetary Resources in FY 2017 and 2016 consisted of the following:

(Dollars in thousands)	2017	2016
Direct obligations		
Category A	$ 4,437,596	$ 4,432,941
Category B	9,324,971	8,864,445
Exempt from apportionment	35,671,429	38,024,004
Total direct obligations	49,433,996	51,321,390
Reimbursable obligations		
Category A	257,139	389,868
Category B	3,041,027	3,177,931
Total reimbursable obligations	3,298,166	3,567,799
	$ 52,732,162	$ 54,889,189

Apportionment Category A represents resources apportioned for calendar quarters. Apportionment Category B represents resources apportioned for other time periods for activities, projects or objectives, or for any combination thereof.

B. Permanent Indefinite Appropriations

DOL's permanent indefinite appropriations include trust funds, the FAUC Fund, the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund, ETA and WHD H-1B funds, ETA's Advances and Payments to the UTF, Special Benefits for Disabled Coal Miners, Short-Time Compensation, and portions of State Unemployment Insurance and Employment Service Operations and Federal Unemployment Benefits and Allowances. These funds are described in Note 1-A.3. As of September 30, 2017 and 2016, the Department returned unobligated, indefinite authority to Treasury in the amount of $51 million and $236 million, respectively.

C. Legal Arrangements Affecting Use of Unobligated Balances

UTF receipts are reported as budget authority in the Combined Statements of Budgetary Resources. The portion of UTF receipts collected in the current year in excess of amounts needed to pay benefits and other valid obligations is classified as temporarily not available pursuant to public law at September 30. Therefore, these excess receipts are reported as a reduction to Appropriations and Unobligated Balances – Exempt from Apportionment in the Combined Statements of Budgetary Resources. Conversely, when obligations exceed receipts in the current year, amounts are drawn from the temporarily unavailable collections to increase current year Appropriations and Unobligated Balances – Exempt from Apportionment on the Combined Statements of Budgetary Resources to cover these obligations. All excess receipts are reported as assets of the UTF and are included in the Consolidated Balance Sheets.

The cumulative amounts of excess UTF receipts are denoted as unavailable collections in the Budget of the United States Government. The cumulative amount of these excess receipts as of September 30, 2017 and 2016, reclassified from unobligated balances to UTF unavailable collections is presented on the following page.

NOTE 18 - STATUS OF BUDGETARY RESOURCES - Continued

C. Legal Arrangements Affecting Use of Unobligated Balances - Continued

(Dollars in millions)	2017	2016
Unemployment Trust Fund unavailable collections, beginning	$ 50,424	$ 40,620
Budget authority from current year appropriations	41,529	46,483
Less: obligations	(33,942)	(36,679)
Excess of budget authority over obligations	7,587	9,804
Unemployment Trust Fund unavailable collections, ending	$ 58,011	$ 50,424

D. Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government for FY 2016

The Budget of the United States Government with actual amounts for the year ended September 30, 2017, has not been published as of the issue date of these financial statements. This document will be available in February 2018 at OMB's website.

A reconciliation of budgetary resources, new obligations and upward adjustments, distributed offsetting receipts, and net outlays, as presented in the Combined Statement of Budgetary Resources (SBR) for FY 2016, to amounts included in the Budget of the United States Government for the year ended September 30, 2016, is shown below.

(Dollars in millions)	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 58,845	$ 54,889	$ 741	$ 47,217
Pension Benefit Guaranty Corporation reported separately	29,415	6,210	-	(5,225)
Fiduciary activity	175	120	-	119
Expired accounts	(808)	(46)	-	-
Other	2	(3)	-	(5)
Budget of the United States Government	$ 87,629	$ 61,170	$ 741	$ 42,106

E. Undelivered Orders

Undelivered orders as of September 30, 2017 and 2016, were as follows:

(Dollars in thousands)	2017	2016
Undelivered orders	$ 10,018,833	$ 9,788,395

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

NOTE 18 - STATUS OF BUDGETARY RESOURCES - Continued

F. Appropriations Received

Appropriations from the Consolidated Statements of Changes in Net Position and the Combined Statements of Budgetary Resources are reconciled below.

(Dollars in millions)	FY 2017	FY 2016
Appropriations Received, Consolidated Statements of Changes in Net Position	$ 10,869	$ 10,761
Receipts recognized as revenue in current and prior years		
Unemployment Trust Fund	39,951	40,859
Black Lung Disability Trust Fund	401	385
Other funds from dedicated collections	194	240
Repayment of debt from appropriated receipts		
Unemployment Trust Fund	(5,923)	(4,265)
Black Lung Disability Trust Fund	(18)	(71)
Return of permanent indefinite authority	(41)	(225)
Reduction for sequestration, across the board reductions, and other	(147)	(72)
	34,417	36,851
Appropriations, Combined Statements of Budgetary Resources	$ 45,286	$ 47,612

G. Borrowing Authority

As of September 30, 2017 and 2016, P.L. 115-31 and P.L. 114-113, respectively, granted borrowing authority for repayable advances and other debt in the amount of “such sums as may be necessary” to (1) the UTF for advances as authorized by sections 905(d) and 1203 of the Social Security Act and (2) the BLDTF for advances as authorized by section 9501(c)(1) of the Internal Revenue Code. Although section 9501 of the Internal Revenue Code and P.L. 113-76 use the terminology “advance," the Treasury has interpreted this to mean any debt owed by the BLDTF to the Bureau of the Fiscal Service.

There was no borrowing authority for the UTF for FY 2017 and FY 2016.

Borrowing authority for the BLDTF was $1,285 million and $910 million for FY 2017 and FY 2016, respectively. The entire amount of borrowing authority plus current year receipts were applied to repay debt of $1,303.1 million and $981.2 million for FY 2017 and FY 2016, respectively.

NOTE 19 - RECONCILIATION OF BUDGETARY RESOURCES OBLIGATED TO NET COST OF OPERATIONS

(Dollars in thousands)	FY 2017	FY 2016
Resources used to finance activities		
Budgetary resources obligated		
New obligations and upward adjustments (Total)	$ 52,732,162	$ 54,889,189
Recoveries of prior year unpaid obligations	(416,033)	(603,674)
Recoveries of prior year paid obligations	(15,220)	(29,544)
Less: spending authority from offsetting collections	(7,378,389)	(7,410,865)
Obligations, net of offsetting collections and recoveries	44,922,520	46,845,106
Other resources		
Imputed financing from costs absorbed by others	92,940	107,477
Transfers without reimbursement	1,595	4,930
Exchange revenue not in budget	(163,170)	(498,406)
Total resources used to finance activities	44,853,885	46,459,107
Resources used to finance items not part of the net cost of operations		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet received or provided	(256,293)	994,792
Resources that finance the acquisition of assets	(31,060)	(63,146)
Transfers that do not affect the net cost of operations	(2,776)	4,678
Total resources used to finance items not part of the net cost of operations	(290,129)	936,324
Total resources used to finance the net cost of operations	44,563,756	47,395,431
Components of the net cost of operations that will not require or generate resources in the current period		
Components requiring or generating resources in other periods		
Increase (decrease) in annual leave liability	(1,086)	12,868
Increase (decrease) in actuarial benefit liabilities	5,013,310	971,135
Increase in capitalized interest	44,126	90,523
Others	(25,707)	(49,172)
Total	5,030,643	1,025,354
Components not requiring or generating resources		
Depreciation and amortization	83,172	85,918
Revaluation of assets and liabilities	673,548	789,807
Benefit overpayments	(629,696)	(641,613)
Total	127,024	234,112
Total components of the net cost of operations that will not require or generate resources in the current period	5,157,667	1,259,466
Net cost of operations	$ 49,721,423	$ 48,654,897

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

NOTE 20 - CUSTODIAL REVENUE

Custodial revenues in FY 2017 consisted of the following:

(Dollars in thousands)	Net Cash Collections and Transfers to U.S. Treasury General Fund	Increase (Decrease) in Amounts to be Collected and Transferred	Total Revenues
Civil monetary penalties			
Occupational Safety and Health Administration	$ 119,108	$ 23,059	$ 142,167
Mine Safety and Health Administration	46,406	1,619	48,025
Employee Benefits Security Administration	20,284	672	20,956
Wage and Hour Division	19,010	(81)	18,929
	204,808	25,269	230,077
Other custodial activity			
Employment and Training Administration and other agencies	3,580	138	3,718
	$ 208,388	$ 25,407	$ 233,795

Custodial revenues in FY 2016 consisted of the following:

(Dollars in thousands)	Net Cash Collections and Transfers to U.S. Treasury General Fund	Increase (Decrease) in Amounts to be Collected and Transferred	Total Revenues
Civil monetary penalties			
Occupational Safety and Health Administration	$ 111,887	$ (17,040)	$ 94,847
Mine Safety and Health Administration	54,379	(5,690)	48,689
Employee Benefits Security Administration	19,552	(756)	18,796
Wage and Hour Division	36,448	(1,050)	35,398
	222,266	(24,536)	197,730
Other custodial activity			
Employment and Training Administration and other agencies	4,929	(1,563)	3,366
	$ 227,195	$ (26,099)	$ 201,096

NOTE 21 - FUNDS FROM DEDICATED COLLECTIONS

DOL is responsible for the operation of certain funds from dedicated collections. Other funds from dedicated collections include Gifts and Bequests, Panama Canal Commission Compensation Fund, and H-1B Funds. The financial position of the funds from dedicated collections as of September 30, 2017, is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ 396,711	$ 121,909	$ 782,114	$ 1,300,734
Investments	61,033,591	-	33,718	61,067,309
Accounts receivable				
Due from other Federal agencies				
for UCFE and UCX benefits	174,436	-	-	174,436
Other	-	-	6,452	6,452
Total intra-governmental	61,604,738	121,909	822,284	62,548,931
Accounts receivable, net of allowance				
State unemployment tax	290,275	-	-	290,275
Due from reimbursable employers	446,234	-	-	446,234
Benefit overpayments	373,272	22,788	-	396,060
Other	3,443	-	28	3,471
Advances	1,102,805	-	1	1,102,806
Other	-	-	242	242
Total assets	$ 63,820,767	$ 144,697	$ 822,555	$ 64,788,019
Liabilities				
Intra departmental and intra-governmental				
Accounts payable to DOL agencies	$ 1,447,179	$ -	$ -	$ 1,447,179
Debt	2,624,281	5,743,977	-	8,368,258
Amounts held for the Railroad				
Retirement Board	76,177	-	-	76,177
Other	-	-	6,063	6,063
Total inter/intra-governmental	4,147,637	5,743,977	6,063	9,897,677
Accounts payable	5	-	3,214	3,219
Future workers' compensation benefits	-	-	32,445	32,445
Accrued benefits	1,051,864	11,429	-	1,063,293
Other liabilities	-	-	27,713	27,713
Total liabilities	5,199,506	5,755,406	69,435	11,024,347
Net position				
Cumulative results of operations	58,621,261	(5,610,709)	753,120	53,763,672
Total liabilities and net position	$ 63,820,767	$ 144,697	$ 822,555	$ 64,788,019

NOTE 21 - FUNDS FROM DEDICATED COLLECTIONS - Continued

The net results of operations of the funds from dedicated collections for the year ended and as of September 30, 2017, are shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Cost, net of earned revenues				
Benefits	$ (29,372,123)	$ (159,751)	$ -	$ (29,531,874)
Grants	-	-	(144,006)	(144,006)
Interest	(145,733)	(208,429)	-	(354,162)
Administrative and other	(772,873)	(2,457)	(83,364)	(858,694)
	(30,290,729)	(370,637)	(227,370)	(30,888,736)
Earned revenue	458,827	-	-	458,827
Net cost of operations	(29,831,902)	(370,637)	(227,370)	(30,429,909)
Net financing sources				
Taxes	44,055,661	428,712	-	44,484,373
Interest	1,305,370	1,377	271	1,307,018
Reimbursement of unemployment benefits and other	1,605,373	-	-	1,605,373
Imputed financing	-	-	2,152	2,152
Transfers-in				
Department of Homeland Security	-	-	256,418	256,418
DOL entities	2,803	-	-	2,803
Transfers-out				
DOL entities	(3,778,643)	(65,701)	-	(3,844,344)
Other	-	-	(62,574)	(62,574)
	43,190,564	364,388	196,267	43,751,219
Change in net position	13,358,662	(6,249)	(31,103)	13,321,310
Net position, beginning of year	45,262,599	(5,604,460)	784,223	40,442,362
Net position, end of year	$ 58,621,261	$ (5,610,709)	$ 753,120	$ 53,763,672

NOTE 21 - FUNDS FROM DEDICATED COLLECTIONS - Continued

The financial position of the funds from dedicated collections as of September 30, 2016, is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ 424,660	$ 93,003	$ 816,612	$ 1,334,275
Investments	54,060,414	-	37,944	54,098,358
Accounts receivable				
Due from other Federal agencies for UCFE and UCX benefits	211,619	-	-	211,619
Other	-	-	4,053	4,053
Total intra-governmental	54,696,693	93,003	858,609	55,648,305
Accounts receivable, net of allowance				
State unemployment tax	291,229	-	-	291,229
Due from reimbursable employers	459,708	-	-	459,708
Benefit overpayments	420,061	20,853	-	440,914
Other	77	-	7	84
Advances	1,089,198	-	-	1,089,198
Other	-	-	344	344
Total assets	$ 56,956,966	$ 113,856	$ 858,960	$ 57,929,782
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	$ 1,683,763	$ -	$ 9	$ 1,683,772
Debt	8,558,484	5,706,431	-	14,264,915
Amounts held for the Railroad Retirement Board	68,007	-	-	68,007
Other	-	1	12,272	12,273
Total intra-governmental	10,310,254	5,706,432	12,281	16,028,967
Accounts payable	-	-	6,418	6,418
Future workers' compensation benefits	-	-	34,178	34,178
Accrued benefits	1,384,113	11,884	-	1,395,997
Other liabilities	-	-	21,860	21,860
Total liabilities	11,694,367	5,718,316	74,737	17,487,420
Net position				
Cumulative results of operations	45,262,599	(5,604,460)	784,223	40,442,362
Total liabilities and net position	$ 56,956,966	$ 113,856	$ 858,960	$ 57,929,782

NOTE 21 - FUNDS FROM DEDICATED COLLECTIONS - Continued

The net results of operations of the funds from dedicated collections for the year ended and as of September 30, 2016, are shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Cost, net of earned revenues				
Benefits	$ (31,945,860)	$ (122,807)	$ -	$ (32,068,667)
Grants	-	-	(125,203)	(125,203)
Interest	(315,479)	(213,748)	-	(529,227)
Administrative and other	(967,187)	(2,949)	(91,194)	(1,061,330)
	(33,228,526)	(339,504)	(216,397)	(33,784,427)
Earned revenue	519,168	-	-	519,168
Net cost of operations	(32,709,358)	(339,504)	(216,397)	(33,265,259)
Net financing sources				
Taxes	46,931,176	439,616	-	47,370,792
Interest	1,218,167	1,008	152	1,219,327
Reimbursement of unemployment benefits and other	1,596,876	-	-	1,596,876
Imputed financing	-	-	2,734	2,734
Transfers-in				
Department of Homeland Security	-	-	256,073	256,073
DOL entities	5,893	-	-	5,893
Transfers-out				
DOL entities	(3,819,803)	(61,372)	-	(3,881,175)
Other	-	-	(16,216)	(16,216)
	45,932,309	379,252	242,743	46,554,304
Change in net position	13,222,951	39,748	26,346	13,289,045
Net position, beginning of year	32,039,648	(5,644,208)	757,877	27,153,317
Net position, end of year	$ 45,262,599	$ (5,604,460)	$ 784,223	$ 40,442,362

NOTE 22 - FIDUCIARY ACTIVITY

The schedule of fiduciary activity and net assets for the fiduciary funds for the year ended and as of September 30, 2017, is shown below.

(Dollars in thousands)	Wage and Hour and Public Contracts Restitution Fund	Longshore and Harbor Workers' Compensation Act Trust Fund	District of Columbia Workmen's Compensation Act Trust Fund	Davis-Bacon Act Trust Fund	Total Fiduciary Funds
Fiduciary activity					
Assessments	$ 88,830	$ 117,066	$ 6,006	$ -	$ 211,902
Investment earnings	-	225	28	-	253
Administrative and other	-	(2,273)	(313)	(16)	(2,602)
Transfer of funds	(15,205)	(1,743)	1,743	16	(15,189)
Disbursements to beneficiaries	(65,259)	(103,783)	(6,738)	-	(175,780)
Increase (decrease) in fiduciary net assets	8,366	9,492	726	-	18,584
Fiduciary net assets, beginning of year	168,459	14,750	2,955	-	186,164
Fiduciary net assets, end of year	$ 176,825	$ 24,242	$ 3,681	$ -	$ 204,748
Fiduciary assets					
Cash	$ 172,123	$ 1	$ 1	$ 5,290	$ 177,415
Investments	-	59,825	5,161	-	64,986
Other assets	4,702	1,153	98	-	5,953
Less: liabilities	-	(36,737)	(1,579)	(5,290)	(43,606)
Total fiduciary net assets	$ 176,825	$ 24,242	$ 3,681	$ -	$ 204,748

The schedule of fiduciary activity and net assets for the fiduciary funds for the year ended and as of September 30, 2016, is shown below.

(Dollars in thousands)	Wage and Hour and Public Contracts Restitution Fund	Longshore and Harbor Workers' Compensation Act Trust Fund	District of Columbia Workmen's Compensation Act Trust Fund	Davis-Bacon Act Trust Fund	Total Fiduciary Funds
Fiduciary activity					
Assessments	$ 58,552	$ 111,851	$ 7,881	$ 4	$ 178,288
Investment earnings	-	56	5	-	61
Administrative and other	-	289	(238)	(4)	47
Transfer of funds to Treasury	(19,960)	(2,479)	302	-	(22,137)
Disbursements to beneficiaries	(32,028)	(111,252)	(7,192)	-	(150,472)
Increase (decrease) in fiduciary net assets	6,564	(1,535)	758	-	5,787
Fiduciary net assets, beginning of year	161,895	16,285	2,197	-	180,377
Fiduciary net assets, end of year	$ 168,459	$ 14,750	$ 2,955	$ -	$ 186,164
Fiduciary assets					
Cash	$ 164,835	$ 5	$ -	$ 5,274	$ 170,114
Investments	-	52,595	4,743	-	57,338
Other assets	3,624	1,069	924	-	5,617
Less: liabilities	-	(38,919)	(2,712)	(5,274)	(46,905)
Total fiduciary net assets	$ 168,459	$ 14,750	$ 2,955	$ -	$ 186,164

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

Note 22 - FIDUCIARY ACTIVITY - Continued

The FY 2016 audits were performed on the Longshore and Harbor Workers' Compensation Act Trust Fund and the District of Columbia Worker's Compensation Act Trust Fund and are available on DOL's website.

NOTE 23 - MATERIAL CONCENTRATION OF RISK

The Division of FEC within OWCP administers the payment of workers' compensation benefits to federal and postal workers for employment-related injuries and occupational diseases. Federal agencies and the USPS reimburse the FECA Special Benefit Fund for payments made on behalf of its workers. In Note 11, Future Workers' Compensation Benefits, the USPS liability as of September 30, 2017, of $16.6 billion represents the largest portion of the total projected gross liability of the Federal government for future FECA benefits attributed to other agencies of $35.1 billion as of September 30, 2017.

In October 2016, the USPS reimbursed the FECA Special Benefit Fund $1.3 billion for costs incurred on its behalf during FY 2016, except for a portion of the scheduled chargeback payment for the 12 months ended June 30, 2016, in the amount of $151 million that the USPS continued to withhold from payment since October 2016. In October 2017, the USPS reimbursed the FECA Special Benefit Fund $1.36 billion for costs incurred on its behalf during FY 2017. The USPS disclosed its lack of liquidity in its audited financial statements for FY 2016 and FY 2017. The USPS's portion of the FECA actuarial liability as of September 30, 2017, together with the USPS's poor financial condition, represent a material concentration of risk for the Department.

NOTE 24 - SUBSEQUENT EVENTS

Except for the USPS October 2017 reimbursement to the FECA Special Benefit Fund as disclosed in Note 4 and Note 23 and the disclosures for the social insurance financial statements in Note 1.W, management has determined that there are no subsequent events requiring accrual or disclosure through November 15, 2017.

Required Supplementary Stewardship Information

(Unaudited)

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

STEWARDSHIP INVESTMENTS IN HUMAN CAPITAL

Stewardship investments are made by DOL on behalf of the nation, providing long-term benefits that cannot be measured in traditional financial reports. These investments are made for the general public, and are intended to maintain or increase national economic productive capacity. DOL's stewardship investments are in human capital, reported as employment and training expenses in DOL's net cost of operations. Within DOL, the Employment and Training Administration (ETA), including the Office of Job Corps (OJC), and the Veterans' Employment and Training Service (VETS) administer training programs that invest in human capital.

Employment and Training Administration

ETA, including the Office of Job Corps, incurred total net costs of $39.7 billion in FY 2017. The majority of these costs consisted of unemployment benefits, which totaled $29.4 billion in FY 2017, a decrease of $2.5 billion (8%) over the previous fiscal year. Also included in ETA's total net costs were investments in human capital of $4.3 billion, which provided services to over 1 million participants in FY 2017 (amount excludes participants for various programs, please see table below). These investments were made through job training programs authorized by the Workforce Innovation and Opportunity Act (WIOA) of 2014, previously authorized by the Workforce Investment Act of 1998 (WIA), Title V of the Older Americans Act, as amended, the Trade Act of 1974, as amended, the Health Care and Education Reconciliation Act of 2010, the National Apprenticeship Act of 1937, and other legislation.

Within ETA the Office of Job Corps (OJC) also invests in human capital through WIOA's Job Corps training program. OJC's investment in human capital in FY 2017 was $1.6 billion, providing services to 104.7 thousand participants in primarily residential settings at 125 Job Corps centers. The job training programs authorized by WIOA and other legislation are discussed below.

<u>**Adult, Dislocated Worker, Youth, and Job Corps Programs**</u>

<u>**Authorized by the Workforce Innovation and Opportunity Act (WIOA) of 2014**</u>

- **Apprenticeship grants program** – ETA awards grants and contracts to the states, businesses, and intermediaries to be used to support innovative, job-driven approaches that result in the growth of Registered Apprenticeship programs to train workers with 21st Century skills that meet employer and industry workforce needs. ETA's FY 2017 investment in apprenticeship programs was $34 million.
- **Adult employment and training programs** – ETA awards grants to states to design and operate training and employment assistance programs for adults, with priority for disadvantaged adults, including public assistance recipients. ETA's FY 2017 investment in human capital through the WIOA Adult programs was $856 million.
- **Dislocated worker employment and training programs** – ETA awards grants to states to provide reemployment services and retraining assistance to individuals laid-off from their employment. ETA's FY 2017 investment in human capital through the WIOA Dislocated Worker programs was $1.2 billion.
- **Youth programs** – ETA awards grants to states to support a wide range of 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. ETA's FY 2017 investment in human capital through the WIOA Youth programs was $923 million.
- **Job Corps program** – ETA's Office of Job Corps awards contracts to support a system of primarily residential centers providing academic education, career technical training, service-learning, and social skills training for low-income young people. Large and small corporations and non-profit organizations manage and operate 99 Job Corps centers under these contractual arrangements. The remaining 26 centers are operated through interagency agreements between DOL and the U.S. Department of Agriculture, Forest Service. In addition, 29 operators are contracted to provide outreach and admissions and career transition services. OJC's FY 2017 investment in human capital through the Job Corps program was $1.6 billion.
- **Reentry Employment Opportunities programs** – ETA supports programs to help individuals exiting prison

make a successful transition to community life and long-term employment through the provision of mentoring and job training programs to promote the successful return of formerly incarcerated adults and adjudicated youth into mainstream society. ETA's FY 2017 investment in human capital through the Reentry Employment Opportunities programs was $83 million.

- **National programs** – ETA's National programs provide evaluation resources and program support for WIOA activities, including nationally administered programs providing employment and training services to segments of the population that have special disadvantages in the labor market, including grants to federally recognized Indian tribes and other Native American governments or non-profit organizations and to Migrant and Seasonal Farmworker service organizations. ETA's FY 2017 human capital investment in WIOA National Programs was $137 million.

Community Service Employment for Older Americans (CSEOA) Program

ETA also invests in human capital through the Community Service Employment for Older Americans program, authorized under Title V of the Older Americans Act, as amended in 2006. Known as the Senior Community Service Employment Program (SCSEP), the SCSEP is a federally sponsored community service employment and training program that provides part-time training through on-the-job work experience in community service activities for unemployed, low-income individuals ages 55 and older, so that they can prepare to enter or re-enter the workforce. ETA's FY 2017 investment in human capital through the CSEOA's SCSEP was $424 million.

Trade Adjustment Assistance for Workers Program

Trade Adjustment Assistance (TAA) for Workers (TAA Program) was first established at the Department of Labor by the Trade Act of 1974 and has been amended several times. Individual workers who are members of the certified worker group apply for benefits and services through the one-stop centers. Individual workers who meet the qualifying criteria may receive: job training; income support in the form of Trade Readjustment Allowances; job search and relocation allowances; Health Coverage Tax Credit; and for workers age 50 and older, a wage supplement in the form of Reemployment TAA. In addition, all workers covered by a certification are eligible for employment and case management services including career services either through the TAA Program or through and in coordination with the WIOA and the Wagner Peyser Act. Only TAA training costs are considered investments in human capital; these costs were $211 million for FY 2017.

Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant Fund

Implemented in cooperation with the U.S. Department of Education, the TAACCCT program provides grants to eligible institutions of higher learning to improve education and employment outcomes for students. Authorized by the Trade Act of 1974 and Health Care and Education Reconciliation Act of 2010, the program enables educational institutions to prepare students to succeed in growing occupations by acquiring the skills necessary for high-wage, in-demand jobs. ETA's FY 2017 human capital investment in the TAACCCT Grant Fund was $206 million.

National Apprenticeship Program

Registered Apprenticeship is a leader in preparing American workers to compete in today's economy. The program has trained millions of America's workers through a network of 21,000 Registered Apprenticeship programs across the nation consisting of over 150,000 employers. Modern apprenticeships are now on the cutting edge of innovation in preparing a skilled workforce for today's industries, including expanding industries like health care, information technology, transportation, telecommunications, and advanced manufacturing, as well as in industries like construction, where apprenticeships have a long and successful history. That is all the more true in light of the President's new initiative on apprenticeships, which will focus on apprenticeship standards that are informed by those "on the ground" in each industrial sector. The National Apprenticeship Act of 1937 established the foundation for development of the nation's skilled workforce through apprenticeship programs, which combine on-the-job learning with related technical instruction to teach workers the theoretical aspects of skilled occupations. ETA's FY 2017 investment in Apprenticeship programs was $37 million.

Program Costs and Outputs

The cost of ETA investments in human capital and the participants served are shown in the chart below, for the five year period FY 2013 through FY 2017.

ETA Investments in Human Capital
Program Costs (in Millions) and Participants Served [(1)] (in Thousands)
For The Five Year Period FY 2013 through FY 2017

	2017		2016		2015		2014		2013	
Program	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***
WIOA										
Apprenticeship[(8)]	$34	*0.0*								
Adult[(8)]	856	*0.0*	$868	*6,124.1*	$852	*6,520.8*	$846	*6,105.3*	$883	*6,761.5*
Dislocated Worker[(2) (8)]	1,241	*0.0*	1,172	*561.7*	1,165	*655.3*	1,189	*853.8*	1,329	*1,340.4*
Youth[(3) (8)]	923	*6.9*	912	*163.6*	878	*200.3*	905	*204.1*	942	*224.0*
Job Corps[(4)]	1,595	*104.7*	1,638	*110.8*	1,605	*109.5*	1,537	*109.6*	1,525	*79.6*
Reentry Employment Opportunities programs	83	*11.4*	77	*14.9*	69	*11.2*	85	*11.8*	96	*22.2*
National Programs[(5)]	137	*51.7*	140	*83.0*	140	*49.2*	149	*52.2*	170	*60.0*
CSEOA										
SCSEP	424	*60.0*	431	*65.2*	436	*67.4*	428	*67.7*	445	*66.9*
TAA for Workers	211	*45.9*	208	*44.0*	232	*51.1*	277	*67.9*	257	*105.1*
TAACCCT[(6)]	206	*175.7*	382	*181.4*	413	*140.9*	416	*66.5*	266	*18.1*
Apprenticeship	37	*539.5*	36	*504.8*	34	*430.4*	32	*392.1*	28	*366.0*
Other[(7)]	158	*115.5*	140	*105.9*	130	*87.3*	113	*28.8*	212	*109.3*
TOTAL	$5,905	*1,111.3*	$6,004	*7,959.4*	$5,954	*8,323.4*	$5,977	*7,959.8*	$6,153	*9,153.1*

(1) Participant numbers are from grantee reports submitted for the Program Year (PY) ending on June 30 of the corresponding fiscal year, unless otherwise noted.
(2) Dislocated Worker programs include the National Dislocated Worker Grants program.
(3) Youth programs include the YouthBuild program.
(4) Job Corps participants served in the FY 2013 report switches from reporting only the number of new enrollees to the number of participants served.
(5) National Programs include the Native American and Migrant and Seasonal Farmworker programs.
(6) TAA and TAACCCT participants served data is reported on a fiscal year basis which causes a one year lag in annual reporting. All TAACCCT participant counts are finalized January of the current fiscal year for the prior year ended.
(7) Other includes training programs for highly skilled occupations funded through H1-B fees.
(8) Preliminary data will not be available until late-November 2017; final counts will be available in the winter of 2018 for Apprenticeship, Adult, Dislocated Worker, and WIOA title I Youth program.

Program Outcomes

Outcomes for training programs comprising ETA's investment in human capital are presented in the Department's Annual Performance Report for FY 2017, available on the DOL website at https://www.dol.gov/general/aboutdol#budget in February 2018.

Veterans' Employment and Training Service (VETS)

VETS administers four major programs to meet the employment and training needs of veterans and eligible spouses, especially those with significant barriers to employment, and connect employers across the country with work-ready veterans. VETS' mission is to prepare America's veterans, service members and their spouses for meaningful careers, provide them with employment resources and expertise, protect their employment rights, and promote their employment opportunities. VETS' four major program activities and program costs and outputs are described below.

Program Activities

Jobs for Veterans State Grants (JVSG)

In accordance with 38 U.S.C Chapter 41, JVSG provides funding to 54 states and U.S. territories for Disabled Veterans' Outreach Program (DVOP) specialists and Local Veterans' Employment Representative (LVER) staff, located in American Job Centers and other locations. DVOP specialists provide intensive services to veterans with significant barriers to employment, including disabled veterans and other eligible populations. LVER staff promotes the hiring of veterans in communities through outreach activities that build relationships with local employers, and provide training to workforce center staff to facilitate the provision of services to veterans.

Transition Assistance Program (TAP)

TAP, authorized under 10 U.S.C. 1144, is for separating and retiring service members and their spouses. The program is a cooperative effort among VETS; the U.S. Departments of Defense, Homeland Security, Veterans Affairs, and Education; and the U.S. Small Business Administration. VETS administers a 3-day DOL Employment Workshop as a component of TAP, both domestically and at overseas installations. The Workshop provides employment assistance to transitioning service members and their spouses by providing tools for a successful transition from the military to the civilian workforce.

Homeless Veterans' Reintegration Program (HVRP)

HVRP, authorized under 38 U.S.C. 2021, addresses the needs of the most vulnerable population of veterans, those who are homeless or at risk of homelessness. HVRP provides employment and training services to homeless veterans, equipping them with the skills to gain meaningful employment. Funds are awarded to eligible applicants through a competitive grant process outlined in an annual Funding Opportunity Announcement. In addition to the main HVRP grants, funding is used to serve specific subsets of the homeless veteran population:

- The **Homeless Female Veterans and Veterans with Families Program** specifically targets the subpopulation of female veterans experiencing homelessness and veterans with families experiencing homelessness.

- The **Incarcerated Veterans' Transition Program** provides employment services to incarcerated veterans at risk of becoming homeless.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

- **Stand Down Grants** are awarded to public and private organizations for local events typically held for one to two days, during which a variety of social services are provided to veterans experiencing homelessness.

Federal Administration, including the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) and Veterans' Preference

VETS is responsible for administering USERRA, 38 U.S.C. 4301-4335, which protects civilian job rights and benefits for active service members, veterans, and members of the National Guard and Reserves. USERRA also prohibits discrimination in employment against any current or prospective employee, due in part to those individuals' past, present, or future military service, status, or obligations. Additionally, under the Veterans' Employment Opportunities Act (5 U.S.C. 3330a-3330c) VETS is responsible for investigating claims alleging a Federal agency's failure to apply Veterans' Preference in hiring or during a reduction-in-force and claims from veterans alleging a lack of access to a Federal agency's covered employment opportunities.

Program Costs and Outputs

The full cost of VETS programs is presented in the Consolidated Statement of Net Cost. The costs of VETS investments in human capital, and the participants served by this investment, are presented below, by major program.

VETS Investments in Human Capital
Program Costs and Participants Served (in Thousands)
For FY 2013 through FY 2017

	2017		2016		2015		2014		2013	
Program	Cost	Part. Served	Cost	Part. Served	Cost	Part. Served	Cost	Part. Served	Cost	Part. Served
JVSG[1]	$ 172,000	(not available)	$ 174,996	154.0	$ 173,453	185.6	$ 170,764	332.1	$ 162,999	450.6
TAP[2], [3]	16,600	155.8	14,100	140.2	13,917	180.8	14,103	207.0	13,176	187.0
USERRA[4]	13,538	9.0	12,734	7.6	12,782	7.6	12,487	10.9	11,381	47.5
HVRP [5]	45,000	16.2	38,056	16.6	38,146	17.0	36,885	16.1	40,691	17.4
TOTAL	**$ 247,138**	**181.0**	**$ 239,886**	**318.4**	**$ 238,298**	**391.0**	**$ 234,239**	**566.1**	**$ 228,247**	**702.5**

[1] JVSG began using a new reporting system (Workforce Integrated Performance System) in FY 2017 to align with WIOA reporting. Several states have not reported data for FY 2017, and some data submitted may have errors. VETS is carefully reviewing the data submitted and working with states to produce fully accurate data. VETS expects reportable participant counts by the end of FY 2018.
[2] Department of Defense participant calculation reflects the number of people (retirees, separatees, and spouses) served during Program Year (PY) 2016. FY 2017 results are not finalized until the end of the first quarter of the following fiscal year. This result was collected from the Veterans' Employment and Training Operations and Programs Activity Report (VOPAR) for FY 2016, fourth quarter, and FY 2017, first through third quarters.
[3] The funding for the Career Technical Training Track (CTTT) program is included in TAP for 2017.
[4] USERRA Participants (USERRA Outreach Measure) reflects the number of people VETS connects with each year (service members, spouses, and employers) to inform them of their rights and responsibilities under the law. The participant served count is an estimate until results for FY 2017 are finalized at the end of the first quarter of the FY 2018. The estimate was calculated using data from the USERRA Technical Assistance Logs.
[5] HVRP Participants reflect the total number of homeless veterans enrolled during PY 2016. These results are provided in the HVRP Brief PY 2016, 4th Quarter Summary.

Program Outcomes

Outcomes for the programs comprising VETS' investment in human capital will be presented in the Department's Annual Performance Report for FY 2017, available in February 2018 on the DOL website at:
https://www.dol.gov/general/aboutdol#budget

Required Supplementary Information
(Unaudited)

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

DEFERRED MAINTENANCE AND REPAIRS (DM&R)

DOL reports as general purpose property, plant and equipment (PP&E), *structures, facilities and improvements* on which maintenance and repair activities may be deferred. Over 99.3% of these buildings and other structures (based on net book value) are owned by DOL's ETA, and located at one hundred twenty-five (125) Job Corps centers throughout the United States. The remaining 0.7% is owned by the Department's MSHA. Periodic maintenance is performed to keep these properties in acceptable condition, as determined by DOL management. It is DOL policy to evaluate PP&E regardless of recorded values and the asset management system does not make any distinction between capitalized and non-capitalized PP&E when it comes to maintenance and repairs. Therefore, DM&R estimates reported relate to PP&E, whether capitalized or not or fully depreciated. Management has not noted any PP&E which is not included in the DM&R estimates reported below.

Defining and Implementing Maintenance and Repairs (M&R) Policies in Practice

Condition assessment surveys are conducted every three years at each property to determine the current condition of buildings and structures (constructed assets) and the estimated maintenance cost to correct deficiencies. The method of assessment used has not changed from previous years. Surveys conducted during years one and two of the three year cycle are updated to reflect maintenance and repairs performed, and rolled up with current assessments to provide a condition assessment for the entire DOL portfolio of constructed assets. Condition assessment surveys are based on methods and standards consistently applied, including descriptions of the facility condition; standardized condition codes, classifications and categories; estimated costs of maintenance and repair actions and recommended maintenance schedules. As a part of these condition assessment surveys, deficiencies are identified in terms of architectural, mechanical, electrical, structural, and civil areas. Each deficiency is assigned a Facilities Condition Index (FCI) score (1) based on classification and categorization.

Ranking and Prioritizing M&R Activities

Life Safety and Health deficiencies are funded shortly following the condition assessment surveys for correction. The remaining deficiencies are classified, categorized, and assigned an FCI score. In each construction, rehabilitation, and acquisition (CRA) budget, funding is allocated to accomplish the highest priority deficiencies based upon the FCI score and programmatic considerations. These deficiencies are funded for correction, while any remaining deficiencies become candidates for funding in a future CRA budget.

Factors Considered in Setting Acceptable Condition

Condition assessment surveys are used to estimate the current plant replacement value and DM&R backlog for each constructed asset. Plant replacement value and repair backlog are used to calculate an FCI score for each building and structure. These FCI scores determine the asset condition and contribute to the overall FCI score for the portfolio. Job Corps and MSHA have set the goal of achieving and maintaining an FCI score of 90% or greater for its portfolio of constructed assets (the standard used by the National Association of College and University Business Offices) as a level of acceptable condition for the periods reported. In 2016, the portfolio's aggregate FCI score for 4,478 constructed assets was 91%, and deferred maintenance and repair costs to return the portfolio to an acceptable condition were estimated at $276.2 million, in accordance with SFFAS 42, Deferred Maintenance and Repairs: *Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*. In FY 2017, the portfolio's aggregate FCI score for 4,551 constructed assets was 91%, and DM&R costs to return the portfolio to an acceptable condition are estimated at $286.7 million. Factors considered in determining acceptable condition standards include health and life safety aspects, as well as certain environmental and building code compliance elements. These deficiencies are prioritized and corrected first as they lead to unacceptable conditions.

(1) FCI = 1 – (Repair Backlog / Plant Replacement Value). In general, an FCI score closer to 100% would indicate a more positive asset condition.

Deferred Maintenance and Repairs Costs

(Dollars in Thousands)

Asset Category	FY 2017 Ending Balance	FY 2017 Beginning Balance
Funded:		
Structures, facilities and improvements		
Active	$61,587	$75,609
Inactive	287	270
Subtotal, funded	61,874	75,879
Unfunded:		
Structures, facilities and improvements		
Active	224,537	200,137
Inactive	288	212
Subtotal, unfunded	224,825	200,349
Total	**$286,699**	**$276,228**

Significant Changes from Prior Year

For reporting purposes, DOL has determined that changes of 10% and $25 million between fiscal year beginning and ending balances are significant. As of September 30, 2017, management has determined that there are no significant changes from prior year.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

SOCIAL INSURANCE PROGRAMS

The Federal Accounting Standards Advisory Board (FASAB) has classified certain government income transfer programs as social insurance programs. Recognizing that these programs have complex characteristics that do not fit traditional accounting models, the FASAB has developed accounting standards for social insurance programs which require the presentation of supplementary information to facilitate the assessment of the program's long-term sustainability.

DOL operates two programs classified under Federal accounting standards as social insurance programs, the UI Program and the Black Lung Disability Benefits Program. Presented below is the supplementary information for the two programs.

Unemployment Insurance Program

The UI Program was created in 1935 to provide income assistance to unemployed workers who lose their jobs generally through no fault of their own, and are unemployed due to a lack of suitable work. The program protects workers during temporary periods of unemployment through the provision of UC benefits. These benefits replace part of the unemployed worker's lost wages and, in so doing, stabilize the economy during recessionary periods by increasing the unemployed worker's purchasing power. The UI program operates counter cyclically, with benefits exceeding tax collections during recessionary periods and UI tax revenues exceeding benefit payments during periods of recovery.

Program Administration and Funding

The UI program is administered through a unique system of Federal-state partnerships, established in Federal law but executed through conforming state laws by state officials. The Federal government provides broad policy guidance and program direction through the oversight of DOL, while program details are established through individual state UI statutes, administered through state UI agencies.

Federal and State Unemployment Taxes

The UI program is financed through the collection of Federal and state unemployment taxes levied on subject employers and deposited in the UTF and Federal appropriations. The UTF was established to account for the receipt, investment, and disbursement of unemployment taxes. Federal unemployment taxes are used to pay for the administrative costs of the UI program, including grants to each state to cover the costs of state UI operations and the Federal share of extended UI benefits. Federal unemployment taxes are also used to fund an account within the UTF, to make advances to state UI accounts that are unable to make benefit payments because the state UI account balance has been exhausted. State UI taxes are used exclusively for the payment of regular UI benefits, as well as the state's share of EB.

Federal Unemployment Taxes

Under the provisions of the FUTA, a Federal tax is levied on covered employers, at a current rate of 6.0% of the first $7,000 in annual wages paid to each employee. This Federal tax rate is reduced by a credit of up to 5.4%, granted to employers paying state UI taxes under conforming state UI statutes. Accordingly, in conforming states, employers pay an effective Federal tax of 0.6%; employers in states with advances from the fund may pay a higher effective Federal tax rate because the Federal tax rate credit of 5.4% may be decreased in increments of 0.3% if a state has had an outstanding advance for more than two years. Additional Federal unemployment taxes collected as a result of the reduced Federal tax rate credit are used to pay down the state's outstanding advance balance. Federal unemployment taxes are collected by the Internal Revenue Service.

State Unemployment Taxes
In addition to the Federal tax, individual states finance their UI programs through state tax contributions from subject employers based on the wages of covered employees. (Three states also collect contributions from employees.) Within Federal confines, state tax rates are assigned in accordance with an employer's experience with unemployment. Actual tax rates vary greatly among the states and among individual employers within a state. At a minimum, these rates must be applied to the Federal tax base of $7,000; however, states may adopt a higher wage base than the minimum established by FUTA. State UI agencies are responsible for the collection of state unemployment taxes.

Unemployment Trust Fund

Federal and state UI taxes are deposited into designated accounts within the UTF. The UTF was established under the authority of Title IX, Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, loan, and disburse Federal and state UI taxes. The U.S. Department of the Treasury acts as custodian over monies deposited into the UTF, investing amounts in excess of disbursing requirements in Treasury securities. The UTF is comprised of the following accounts:

Federal Accounts

The Employment Security Administration Account (ESAA) was established pursuant to Section 901 of the Act. Tax receipts collected under the FUTA are appropriated to the ESAA and used to pay the costs of Federal and state administration of the UI program and veterans' ES and 97% of the costs of the state ES; and, amounts collected due to FUTA credit reductions are transferred to the FUA and are used to pay down balances of state advances that have been outstanding for more than two years. Excess balances in ESAA, as defined under the Act, are transferred to other Federal accounts within the Fund, as described below.

The Federal Unemployment Account was established pursuant to Section 904 of the Act. FUA is funded by any excesses from the ESAA as determined in accordance with Section 902 of the Act. Title XII, Section 1201 of the Act authorizes the FUA to loan Federal monies to state accounts that are unable to make benefit payments because the state UI account balance has been exhausted. Title XII loans must be repaid with interest. The FUA may borrow from the ESAA or EUCA, without interest, or may also receive repayable advances, with interest, from the general fund of the U.S. Treasury, when the FUA has a balance insufficient to make advances to the states.

The Extended Unemployment Compensation Account was established pursuant to Section 905 of the Act. EUCA provides for the payment of extended unemployment benefits authorized under the Federal-State Extended Unemployment Compensation Act of 1970, as amended. Under the EB program, extended unemployment benefits are paid to individuals who have exhausted their regular unemployment benefits. These EB are financed one-half by State unemployment taxes and one-half by FUTA taxes from the EUCA. The EUCA is funded by a percentage of the FUTA tax transferred from the ESAA in accordance with Section 905(b)(1) and (2) of the Act. The EUCA may borrow from the ESAA or the FUA, without interest, or may also receive repayable advances from the General Fund of the U.S. Treasury when the EUCA has a balance insufficient to pay the Federal share of EB. During periods of sustained high unemployment, the EUCA may also receive payments and non-repayable advances from the General Fund of the Treasury to finance EUC benefits. Emergency unemployment benefits require Congressional authorization.

The Federal Employees Compensation (FEC) Account was established pursuant to Section 909 of the Act. The FEC account provides funds to States for unemployment compensation benefits paid to eligible former Federal civilian personnel and ex-service members. Generally, benefits paid are reimbursed to the Federal Employees Compensation Account by the various Federal agencies. Any additional resources necessary to assure that the account can make the required payments to States, due to the timing of the benefit payments and subsequent reimbursements, will be provided by non-repayable advances from the General Fund of the U.S. Treasury.

State Accounts

Separate state accounts were established for each state and territory depositing monies into the Fund, in accordance with Section 904 of the Act. State unemployment taxes are deposited into these individual accounts and may be used only to pay state unemployment benefits. States may receive repayable advances from the FUA when their balances in the Fund are insufficient to pay benefits.

Railroad Retirement Accounts

The Railroad UI Account and Railroad UI Administrative Account were established under Section 904 of the Act to provide for a separate UI program for railroad employees. This separate UI program is administered by the Railroad Retirement Board, an agency independent of DOL. DOL is not responsible for the administrative oversight or solvency of the railroad UI system. Receipts from taxes on railroad payrolls are deposited in the Railroad UI Account and the Railroad UI Administrative Account to meet benefit payment and related administrative expenses.

UI Program Benefits

The UI program provides regular and extended benefit payments to eligible unemployed workers. Regular UI program benefits are established under state law, payable for a period not to exceed a maximum duration. In 1970, Federal law began to require states to extend this maximum period of benefit duration by 50% during periods of high unemployment. These extended benefit payments are paid equally from Federal and state accounts.

Regular UI Benefits

The UI program is a cooperative Federal and state program with the federal government providing oversight. Eligibility requirements, as well as benefit amounts and benefit duration are determined under state law. Under state laws, worker eligibility for benefits depends on experience in covered employment during a past base period, which attempts to measure the workers' recent attachment to the labor force. Three factors are common to state eligibility requirements: (1) a minimum duration of recent employment and earnings during a base period prior to unemployment, (2) unemployment not the fault of the unemployed, and (3) availability of the unemployed for work.

Benefit payment amounts under all state laws vary with the worker's base period wage history. Generally, states compute the amount of weekly UI benefits as a percentage of an individual's average weekly base period earnings, within certain minimum and maximum limits. Most states set the duration of UI benefits by the amount of earnings an individual has received during the base period. Currently, most states have established the maximum duration for regular UI benefits at 26 weeks. Regular UI benefits are paid by the state UI agencies from monies drawn down from the state account within the UTF.

Extended UI Benefits

The Federal/State Extended Unemployment Compensation Act of 1970 provides for the extension of the duration of UI benefits during periods of high unemployment. When the insured unemployment level within a state, or in some cases total unemployment, reaches certain specified levels, the state must extend benefit duration by 50%, up to a combined maximum of 39 weeks; certain states voluntarily extended the benefit duration up to a combined maximum of 46 weeks. Fifty percent of the cost of extended unemployment benefits is paid from the EUCA within the UTF, and 50% by the state, from the state's UTF account. The ARRA of 2009 began temporary 100% Federal funding of EB. Subsequent legislation, most recently P.L. 112-240, the American Taxpayer Relief Act of 2012, authorized continuing 100% Federal funding of extended unemployment benefits to December 31, 2013.

Emergency UI Benefits

During prolonged periods of high unemployment, Congress may authorize the payment of emergency unemployment benefits to supplement extended UI benefit payments. Emergency benefits began in July 2008, authorized under the Supplemental Appropriations Act, 2008 (previously authorized in 1991 and 2002). This emergency program was temporarily extended and additionally funded by the ARRA and has been subsequently modified several times, most recently by P.L. 112-240, the American Taxpayer Relief Act of 2012, which extended the emergency unemployment insurance program to January 1, 2014.

Although the programs for emergency unemployment benefits and 100% Federal funding of extended unemployment benefits expired in FY 2014, the UI program continues to process residual transactions for benefit costs incurred prior to the programs' expiration.

Federal UI Benefits

Unemployment benefits to unemployed Federal civilian personnel and ex-service members are paid from the Federal Employees Compensation Account within the UTF. These benefit costs are reimbursed by the responsible Federal agency and are not considered to be social insurance benefits. Federal UC benefits are not included in this discussion of social insurance programs.

The Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974, as amended, authorizes the President to provide benefit assistance to individuals unemployed as a direct result of a major disaster. The Disaster Unemployment Assistance (DUA) program provides financial assistance to individuals whose employment or self-employment has been lost or interrupted as a direct result of a major disaster declared by the President of the United States and who are not eligible for regular UI benefits. DOL oversees the DUA program and coordinates with the Federal Emergency Management Agency (FEMA) to provide the funds to the state UI agencies for payment of DUA benefits and payment of state administration costs under agreements with the Secretary of Labor. DUA program activity increased in September 2017 as a result of Hurricanes Harvey and Irma. DUA program activity as a result of Hurricanes Harvey and Irma will continue after FY 2017 and include activity as a result of Hurricane Maria.

Program Finances and Sustainability

As of September 30, 2017, total assets within the UTF exceeded total liabilities by $58.6 billion. At the present time there is a surplus; any surplus of tax revenues and earnings on these revenues over benefit payment expenses is available to finance benefit payments in future periods when tax revenues may be insufficient. Treasury invests any accumulated surplus in Federal securities. The net value of these securities, including interest receivable, as of September 30, 2017 was $61.0 billion. This interest is distributed to eligible state and Federal accounts within the UTF. Interest income from these investments and income from Title XII advances to states during FY 2017 was $1.3 billion. Federal and state UI tax and reimbursable revenues of $45.7 billion and regular, extended, emergency, and disaster unemployment benefit payment expense of $29.4 billion were recognized for the year ended September 30, 2017.

As discussed in Note 1-K.1 to the consolidated financial statements, DOL recognized a liability for regular, extended, emergency, and disaster unemployment benefits to the extent of unpaid benefits applicable to the current period and for benefits paid by states that have not been reimbursed by the UTF. Accrued unemployment benefits payable as of September 30, 2017 were $1.08 billion.

During FY 2017, the FUA did not incur additional borrowing from the General Fund of the U.S. Treasury in the form of repayable advances; the FUA had repaid all its outstanding repayable advances as of September 30, 2015. The EUCA did not incur additional borrowing and repaid certain prior year (PY) advances. EUCA had an outstanding repayable advances balance of $2.6 billion bearing interest of 2.375 % and 2.50% as of September 30, 2017.

Subsequent Events

Management has determined that there are no UI program or UTF subsequent events requiring accrual or disclosure through November 15, 2017.

<u>Effect of Projected Cash Inflows and Outflows on the Accumulated Net Assets of the UTF, in Constant Dollars</u>
The ability of the UI program to meet a participant's future benefit payment needs depends on the availability of accumulated taxes and earnings within the UTF. The Department measures the effect of projected benefit payments on the accumulated net assets of the UTF, under an open group scenario, which includes current and future participants in the UI program. Future estimated cash inflows and outflows of the UTF are tracked by the Department for budgetary purposes. These projections allow the Department to monitor the sensitivity of the UI program to differing economic conditions, and to predict the program's sustainability under varying economic assumptions.

The significant assumptions used in the projections include total unemployment rates, civilian labor force levels, percent of unemployed receiving benefits, total wages, distribution of benefit payments by state, state tax rate structures, state taxable wage bases, interest rates on UTF investments, and the Consumer Price Index-Urban (CPI-U) for goods and services. The use of CPI-U factors allows the projections to be presented in constant dollars with FY 2017 as the base year. The valuation date for the projections is September 30, 2017. Cash projections depend on the assumptions used and actual experience may differ materially from the projections.

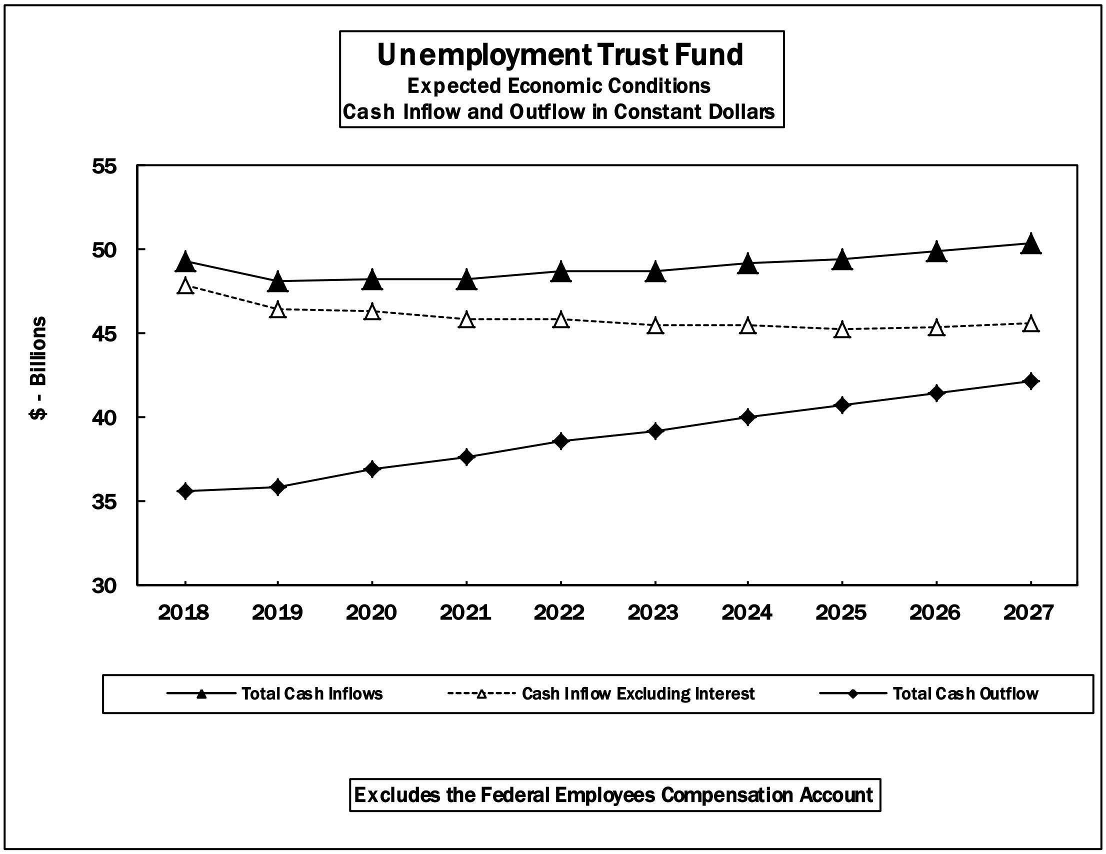
Presented on the following pages is the effect of projected economic conditions on the net assets of the UTF, in constant dollars, excluding the Federal Employees Compensation Account. Amount totals for the expected economic conditions analysis and the two sensitivity analyses may differ due to rounding.

Expected Economic Conditions

Charts I and II graphically depict the effect of expected economic conditions on the UTF, in constant dollars, over the next ten years.

<u>Projected Cash Inflows and Outflows, in Constant Dollars, Under Expected Economic Conditions</u>
Chart I depicts projected cash inflows and outflows of the UTF, in constant dollars, over the next ten years under expected economic conditions. Both cash inflows and cash inflows excluding interest earnings are displayed. Current estimates by the Department are based on an expected unemployment rate of 4.45% during FY 2018 and remaining between 4.52% and 4.80%. Total cash inflows exceed total cash outflows in FY 2018 and through the end of the projected period. As presented in table (1) Expected Economic Conditions, the net inflow (excluding interest) decreases from $12.3 billion in FY 2018 to $3.5 billion in FY 2027, with the largest decrease of $1.6 billion between 2018 and 2019. The decrease in net inflow is primarily due to lower FUTA collections and higher State benefits payments, offset by increases in interest received on Federal securities..

Chart I

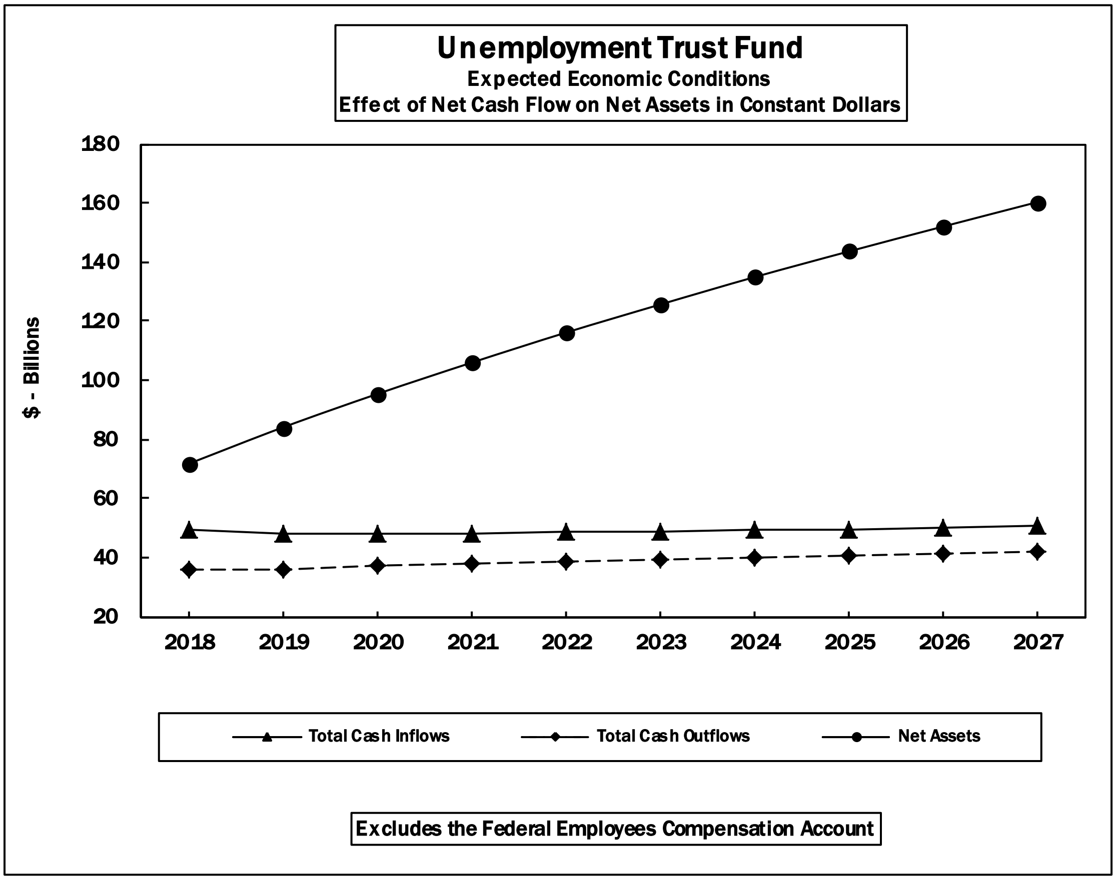


Effect of Expected Cash Flows on UTF Assets in Constant Dollars

Chart II demonstrates the effect of these expected cash inflows and outflows on the net assets of the UTF, in constant dollars, over the ten-year period ending September 30, 2017. Yearly projected total cash inflows, including interest earnings, and cash outflows, including interest payments, are depicted as well as the net effect of this cash flow on UTF assets.

As depicted in Chart II, total cash inflows exceed total cash outflows in FY 2018 and all other years in the projected period. The excess of total cash inflows over total cash outflows is highest in FY 2018. As presented in table (1) Expected Economic Conditions, starting at a nearly $58.0 billion fund balance at the beginning of FY 2018, net UTF assets increase nearly $ 102.3 billion over the next ten years to $160.3 billion fund net assets balance by the end of FY 2027. Chart II depicts the increase in the net assets of the fund.

Chart II



Sensitivity Analyses in Constant Dollars

Charts III (Sensitivity Analysis I) and IV (Sensitivity Analysis II) demonstrate the effect on accumulated UTF assets of projected total cash inflows and cash outflows of the UTF, in constant dollars, over the ten-year period ending September 30, 2027, in two sensitivity analyses. Each sensitivity analysis uses an open group, which includes current and future participants in the UI program. Sensitivity Analysis I assumes higher rates of unemployment and Sensitivity Analysis II assumes even higher rates of unemployment compared to the expected economic conditions as shown in Charts I and II. Table I below summarizes the unemployment rates for expected conditions, Sensitivity Analysis I, and Sensitivity Analysis II.

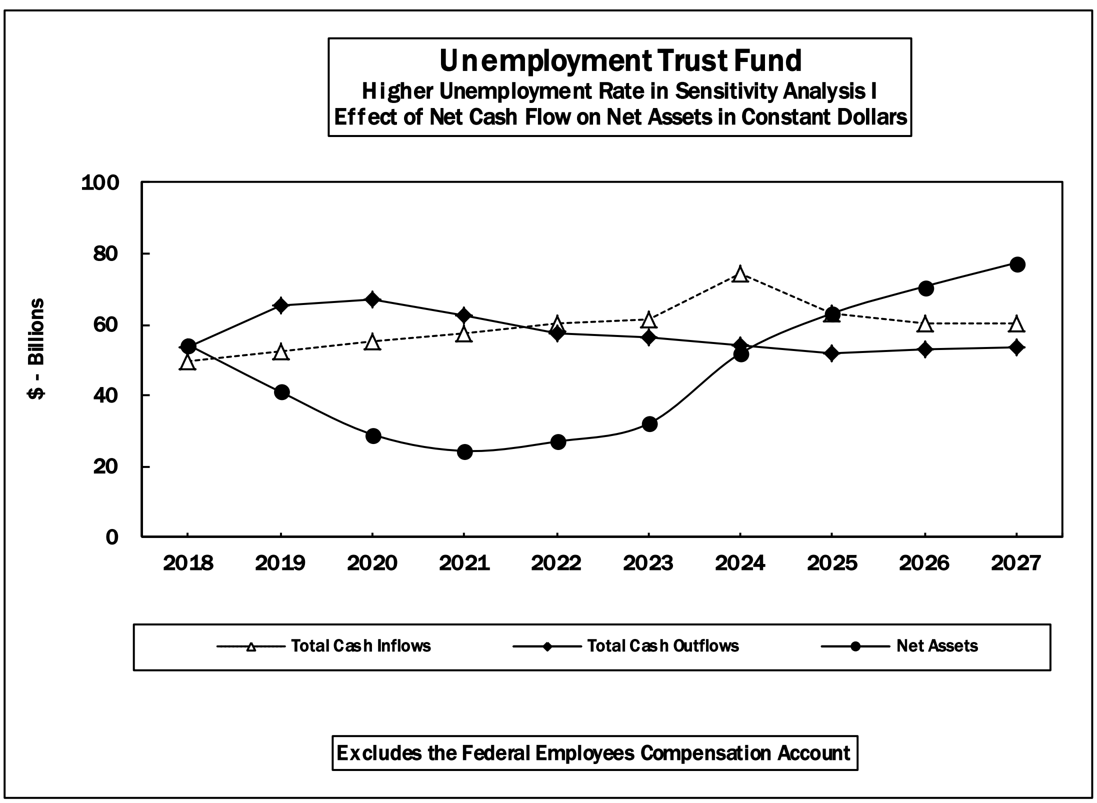
Table I

Total Unemployment Rate for the Ten-Year Period Ending September 30, 2027										
Conditions	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Expected	4.45%	4.52%	4.70%	4.75%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%
Sensitivity Analysis I	5.72%	7.23%	7.32%	6.54%	5.70%	5.56%	5.20%	4.80%	4.80%	4.80%
Sensitivity Analysis II	5.28%	8.50%	9.72%	9.16%	8.28%	7.59%	6.47%	5.45%	4.95%	4.80%

Effect on UTF Assets, in Constant Dollars, in Sensitivity Analysis I

In this sensitivity analysis, which utilizes a higher unemployment rate of 5.72% beginning in FY 2018, as presented in table (2) Sensitivity Analysis I Higher Unemployment Rate, net cash inflows are negative in FYs 2018 through2021, but become positive in FY 2022 and continue to be positive through 2027. Chart III depicts the cross-over point where cash outflows exceed cash inflows before 2022 and cash inflows exceed cash outflows afterward. Starting at a nearly $58.0 billion fund balance at the beginning of FY 2018, net UTF assets first decrease by $33.6 billion until 2021; then net UTF assets increase by $53.0 billion over the next six years to about a $77.4 billion fund net assets balance by the end of FY 2027. Chart III depicts the decrease in net assets until 2021 and then the increase in net assets thereafter.

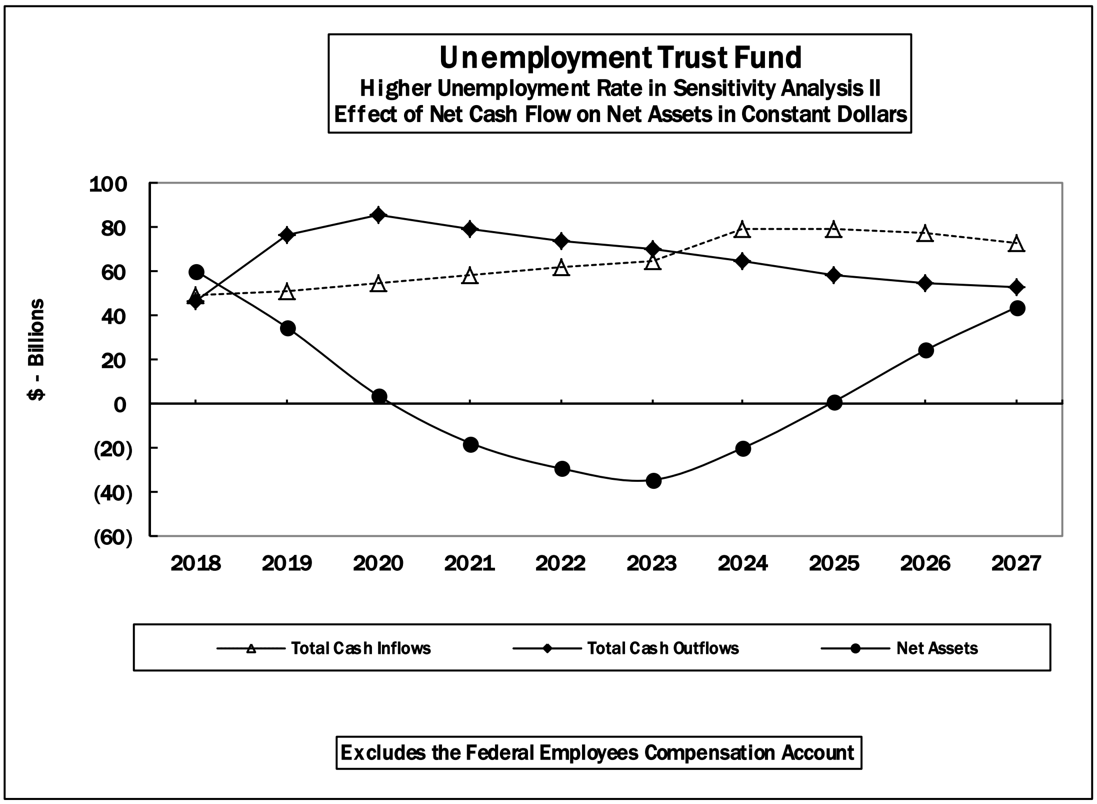
Chart III



Effect on UTF Assets, in Constant Dollars, in Sensitivity Analysis II

In this sensitivity analysis, as presented in the table (3) Sensitivity Analysis II Higher Unemployment Rate, net cash outflows including interest earnings and expenses are projected in FYs 2019 through 2023 by amounts between about $5.3 billion and $25.7 billion, but outflows exceed inflows in FYs 2024 through 2027 by amounts between $14.6 billion and $23.2 billion. Net cash inflows are reestablished in FY 2024 and peak in FY 2026 with a drop in the unemployment rate to 8.28% in FY 2022 and then steadily downward for FYs 2023 through 2027. Chart IV depicts the cross-over points where outflows exceed inflows before FY 2019 and inflows exceed outflows before FY 2024. The fund net assets decrease nearly $14.0 billion from a $58.0 billion fund balance at the beginning of FY 2018 to $44.0 billion in FY 2027. Chart IV depicts the low point in the fund's financial position at a fund deficit of $(34.3) billion in FY 2023 and then the decrease in fund deficit around FY 2024. At the end of the projection period of Sensitivity Analysis II, net assets are about $116.3 billion less than under expected economic conditions.

Chart IV



The example of expected economic conditions and two sensitivity analyses, in constant dollars, demonstrate the counter cyclical nature of the UI program, which experiences net cash inflows during periods of low unemployment that are depleted by net cash outflows during periods of increased unemployment. During the expected conditions and two sensitivity analyses, state accounts without sufficient reserve balances to absorb negative cash flows are forced to obtain advances from the FUA and to meet benefit payment requirements. Advances to states also deplete the FUA, which borrows from the ESAA and the EUCA until they are depleted. The FUA then requires advances from the General Fund of the U.S. Treasury to provide borrowings to states. (See following discussion of solvency measures for state UI programs.)

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION IN CONSTANT DOLLARS
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN-YEAR PERIOD ENDING SEPTEMBER 30, 2027
(1) EXPECTED ECONOMIC CONDITIONS

(Dollars in millions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Balance, start of year	$ 57,972	$ 71,707	$ 84,033	$ 95,337	$ 105,937	$ 116,104	$ 125,624	$ 134,896	$ 143,586	$ 152,013
Cash inflow										
State unemployment taxes	39,932	40,353	40,227	39,863	39,939	39,542	39,560	39,356	39,473	39,725
Federal unemployment taxes	7,868	5,966	5,936	5,905	5,881	5,854	5,840	5,820	5,797	5,769
General revenue appropriation	-	-	-	-	-	-	-	-	-	-
Interest on loans	4	2	1	1	1	1	1	-	-	-
Deposits by the Railroad Retirement Board	139	154	151	117	93	108	130	129	111	106
Total cash inflow excluding interest	47,943	46,475	46,315	45,886	45,914	45,505	45,531	45,305	45,381	45,600
Interest on Federal securities	1,435	1,663	1,967	2,348	2,805	3,273	3,719	4,140	4,509	4,823
Total cash inflow	49,378	48,138	48,282	48,234	48,719	48,778	49,250	49,445	49,890	50,423
Cash outflow										
State unemployment benefits	31,839	32,267	33,467	34,141	35,072	35,791	36,522	37,311	38,035	38,729
State administrative costs	3,510	3,280	3,253	3,241	3,231	3,220	3,211	3,200	3,186	3,178
Federal administrative costs	166	163	163	161	159	158	156	155	153	151
Interest on tax refunds	1	1	1	1	1	1	1	1	1	1
Interest on advances	29	-	-	-	-	-	-	-	-	-
Railroad Retirement Board withdrawals	98	101	94	90	89	88	88	88	88	88
Total cash outflow	35,643	35,812	36,978	37,634	38,552	39,258	39,978	40,755	41,463	42,147
Excess of total cash inflow excluding interest over total cash outflow	12,300	10,663	9,337	8,252	7,362	6,247	5,553	4,550	3,918	3,453
Excess of total cash inflow over total cash outflow	13,735	12,326	11,304	10,600	10,167	9,520	9,272	8,690	8,427	8,276
Balance, end of year	$ 71,707	$ 84,033	$ 95,337	$ 105,937	$ 116,104	$ 125,624	$ 134,896	$ 143,586	$ 152,013	$ 160,289
Total unemployment rate	4.45%	4.52%	4.70%	4.75%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION IN CONSTANT DOLLARS
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN-YEAR PERIOD ENDING SEPTEMBER 30, 2027
(2) SENSITIVITY ANALYSIS I HIGHER UNEMPLOYMENT RATE

(Dollars in millions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Balance, start of year	$ 57,972	$ 54,235	$ 41,046	$ 29,023	$ 24,372	$ 26,995	$ 32,041	$ 51,870	$ 63,177	$ 70,717
Cash inflow										
State unemployment taxes	40,426	43,261	45,917	47,833	49,286	49,294	49,281	48,118	47,442	47,218
Federal unemployment taxes	7,722	7,801	7,918	8,406	9,323	10,422	22,606	12,843	10,494	10,255
General revenue appropriation	1	12	17	4	-	-	-	-	-	-
Interest on loans	18	101	274	448	571	620	468	270	183	189
Deposits by the Railroad Retirement Board	139	154	151	117	93	108	130	129	111	106
Total cash inflow excluding interest	48,306	51,329	54,277	56,808	59,273	60,444	72,485	61,360	58,230	57,768
Interest on Federal securities	1,293	1,089	963	989	1,098	1,256	1,654	1,822	2,102	2,361
Total cash inflow	49,599	52,418	55,240	57,797	60,371	61,700	74,139	63,182	60,332	60,129
Cash outflow										
State unemployment benefits	49,058	61,161	62,690	57,858	53,243	52,232	50,105	48,069	49,075	49,731
State administrative costs	3,974	4,103	4,102	3,953	3,780	3,692	3,597	3,500	3,472	3,454
Federal administrative costs	166	163	163	161	159	158	156	155	153	151
Interest on tax refunds	1	1	1	1	1	1	3	2	2	2
Interest on advances	39	76	215	384	474	481	359	59	-	-
Railroad Retirement Board withdrawals	98	103	92	91	91	90	90	90	90	89
Total cash outflow	53,336	65,607	67,263	62,448	57,748	56,654	54,310	51,875	52,792	53,427
Excess (deficiency) of total cash inflow excluding interest over (under) total cash outflow	(5,030)	(14,278)	(12,986)	(5,640)	1,525	3,790	18,175	9,485	5,438	4,341
Excess (deficiency) of total cash inflow over (under) total cash outflow	(3,737)	(13,189)	(12,023)	(4,651)	2,623	5,046	19,829	11,307	7,540	6,702
Balance, end of year	$ 54,235	$ 41,046	$ 29,023	$ 24,372	$ 26,995	$ 32,041	$ 51,870	$ 63,177	$ 70,717	$ 77,419
Total unemployment rate	5.72%	7.23%	7.32%	6.54%	5.70%	5.56%	5.20%	4.80%	4.80%	4.80%

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION IN CONSTANT DOLLARS
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN-YEAR PERIOD ENDING SEPTEMBER 30, 2027
(3) SENSITIVITY ANALYSIS II HIGHER UNEMPLOYMENT RATE

(Dollars in millions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Balance, start of year	$ 57,972	$ 60,387	$ 34,732	$ 3,898	$ (17,426)	$ (29,077)	$ (34,336)	$ (19,723)	$ 1,329	$ 24,486
Cash inflow										
State unemployment taxes	40,223	42,398	45,800	48,723	51,057	51,932	52,284	51,625	50,237	49,035
Federal unemployment taxes	7,747	7,709	7,759	8,079	9,147	10,494	24,094	25,253	25,078	21,050
General revenue appropriation	-	12	25	22	1	-	-	-	-	-
Interest on loans	10	116	484	917	1,348	1,715	1,709	1,376	970	655
Deposits by the Railroad Retirement Board	139	154	151	117	93	108	130	129	111	106
Total cash inflow excluding interest	48,119	50,389	54,219	57,858	61,646	64,249	78,217	78,383	76,396	70,846
Interest on Federal securities	1,349	1,099	824	723	752	830	1,040	1,371	1,688	1,995
Total cash inflow	49,468	51,488	55,043	58,581	62,398	65,079	79,257	79,754	78,084	72,841
Cash outflow										
State unemployment benefits	42,948	72,400	80,563	74,265	68,131	64,219	58,621	53,216	50,096	49,007
State administrative costs	3,811	4,371	4,600	4,409	4,210	4,043	3,849	3,657	3,522	3,451
Federal administrative costs	166	163	163	161	159	158	156	155	153	151
Interest on tax refunds	1	1	1	1	1	1	4	4	4	3
Interest on advances	29	105	458	978	1,457	1,827	1,924	1,580	1,062	599
Railroad Retirement Board withdrawals	98	103	92	91	91	90	90	90	90	89
Total cash outflow	47,053	77,143	85,877	79,905	74,049	70,338	64,644	58,702	54,927	53,300
Excess (deficiency) of total cash inflow excluding interest over (under) total cash outflow	1,066	(26,754)	(31,658)	(22,047)	(12,403)	(6,089)	13,573	19,681	21,469	17,546
Excess (deficiency) of total cash inflow over (under) total cash outflow	2,415	(25,655)	(30,834)	(21,324)	(11,651)	(5,259)	14,613	21,052	23,157	19,541
Balance, end of year	$ 60,387	$ 34,732	$ 3,898	$ (17,426)	$ (29,077)	$ (34,336)	$ (19,723)	$ 1,329	$ 24,486	$ 44,027
Total unemployment rate	5.28%	8.50%	9.72%	9.16%	8.28%	7.59%	6.47%	5.45%	4.95%	4.80%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

*States with Minimally Solvent UTF Account Balances

Each state's accumulated UTF net assets or reserve balance should provide a defined level of benefit payments over a defined period. To be minimally solvent, a state's reserve balance should provide for one year's projected benefit payment needs based on the highest levels of benefit payments experienced by the state over the last twenty years. A ratio of 1.00 or greater indicates that the state UTF account balance is minimally solvent. States below this level are vulnerable to exhausting their funds in a recession. States exhausting their reserve balance must borrow funds from FUA to make benefit payments. In FY 2015 the FUA repaid all its outstanding borrowings; there were no FUA borrowings in FY 2017.

Chart V presents the state by state results of this analysis at September 30, 2016 in descending order by ratio. As the chart below illustrates, 31 state UTF accounts were below the minimal solvency ratio of 1.00 at September 30, 2016. Some states borrow from the FUA and then issue bonds to repay their FUA borrowings; the ratios do not reflect a state's debt to bondholders.

Chart V

Minimally Solvent	
State	Ratio
Wyoming	2.24
Oregon	2.17
Vermont	1.99
Mississippi	1.88
Utah	1.78
Nebraska	1.76
Oklahoma	1.75
South Dakota	1.74
Alaska	1.66
Idaho	1.41
Montana	1.40
Iowa	1.36
Louisiana	1.35
Washington	1.28
Puerto Rico	1.25
Hawaii	1.20
Maine	1.19
New Mexico	1.19
North Carolina	1.17
District of Columbia	1.11
Florida	1.07
New Hampshire	1.07
Arkansas	1.06
Kansas	1.06

Not Minimally Solvent			
State	Ratio	State	Ratio
Georgia	0.97	New Jersey	0.58
Virginia	0.96	Arizona	0.55
Michigan	0.94	Pennsylvania	0.45
Minnesota	0.93	Kentucky	0.42
Tennessee	0.92	Illinois	0.40
Alabama	0.91	Connecticut	0.37
Nevada	0.90	New York	0.31
Maryland	0.85	Massachusetts	0.29
South Carolina	0.78	West Virginia	0.26
Wisconsin	0.77	Texas	0.25
North Dakota	0.76	Ohio	0.23
Missouri	0.72	Indiana	0.22
Colorado	0.63	California	0.00
Rhode Island	0.62	Virgin Islands	0.00
Delaware	0.58		

*Includes the District of Columbia, Puerto Rico, and the Virgin Islands.

Black Lung Disability Benefit Program

The Black Lung Disability Benefit Program provides for compensation, medical, and survivor benefits for eligible coal miners who are totally disabled due to pneumoconiosis (black lung disease) arising out of their coal mine employment and the BLDTF provides benefit payments when no responsible mine operator can be assigned the liability. Other information about the BLDTF and social insurance reporting is also presented in Notes 1-W and 1-Y of the financial statements.

Program Administration and Funding

The Federal Coal Mine Health and Safety Act sets Black Lung benefits at 37.5% of the base salary of a Federal employee at level GS-2, Step 1. Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the domestic sale of coal, as are the program's administrative costs. These taxes are collected by the Internal Revenue Service and transferred to the BLDTF, which was established under the authority of the Black Lung Benefits Revenue Act, and administered by the U.S. Department of the Treasury.

P.L. 110-343, Division B-Energy Improvement and Extension Act of 2008, enacted on October 3, 2008, in section 113, (1) allowed for the temporary increase in coal excise tax rates to continue an additional five years beyond the statutory limit and (2) restructured the BLDTF debt by refinancing the outstanding repayable advances (which had higher interest rates) with discounted debt instruments similar in form to zero-coupon bonds (which had lower interest rates), plus a one-time appropriation. This Act also allowed that any subsequent debt issued by the BLDTF may be used to make benefit payments, other authorized expenditures, or to repay debt and interest from the initial refinancing. All debt issued by the BLDTF was effected as borrowing from the Treasury's Bureau of the Fiscal Service. (See Notes 1-J and 8)

Program Finances and Sustainability

At September 30, 2017, total liabilities of the BLDTF exceeded assets by $5.61 billion This net position represents the accumulated shortfall of excise taxes necessary to meet benefit payments, administrative costs, and interest expense incurred prior to and subsequent to the debt refinancing pursuant to P.L. 110-343. Prior to enactment of P.L. 110-343, this shortfall was funded by repayable advances to the BLDTF, which were repayable with interest. Pursuant to P.L. 110-343, any shortfall will be financed with debt instruments similar in form to zero-coupon bonds, with a maturity date of one year and bear interest at the Treasury 1-year rate. Outstanding debt at September 30, 2017 was $5.74 billion, bearing interest rates ranging from 1.311% to 4.556%. Excise tax revenues of $428.7 million, benefit payment expense of $159.8 million, and interest expense of $208.4 million were recognized for the year ended September 30, 2017. The interest expense is accrued and capitalized to the principal of the debt until the debt reaches its face value at the time of maturity. On September 30, 2017, the BLDTF issued debt in the amount of $1.3 billion, bearing interest at 1.311% and maturing on September 30, 2018. At September 30, 2017, there were 24 debt instruments with staggered maturities of September 30 for years 2018 through 2040, with a total carrying value of nearly $5.74 billion and a total face value at maturity of nearly $8.7 billion. Of these 24 debt instruments, 23 are from the October 2008 refinancing and one debt instrument was issued on September 30, 2017.

Subsequent Events

Management disclosed that as of September 30, 2017, the U.S. Court of Appeals (USCA) August 8, 2017 order to abey CPP litigation remained in effect and the February 2016 U.S. Supreme Court (SCOTUS) stay of CPP regulation remained in effect. The August 8, 2017 USCA abeyance order expired; on November 9, 2017, the USCA issued another order to abey litigation pursuant to CPP for 60 days. As of November 15, 2017, the

- February 2016 SCOTUS stay of regulation pursuant to the CPP remained in effect and
- November 9, 2017 USCA order to abey litigation pursuant to the CPP remained in effect.

For FY 2017 reporting, DOL's assumptions did not include regulation pursuant to the CPP. As of November 15, 2017, these assumptions remained consistent with Executive Branch policy on regulation pursuant to the CPP.

Projected Cash Inflows and Outflows, in Constant Dollars, for the Open Group

Prior to FY 2016, the beneficiary population was assumed to be a nearly closed universe in which attrition by death exceeded new entrants by a ratio of more than ten to one; projections for new participants were included in the overall projections and were considered immaterial. Therefore, in fiscal years prior to FY 2016, the difference between the closed group population and the open group population due to new participants was immaterial and the same values were presented for both the open group and the closed group.

During FY 2016, the number of participants who joined the rolls increased due to, among other things, adjudicated liability as a result of responsible mine operator bankruptcy; projections for the number of new participants increased for similar reasons and the DOL management determined that the difference between the size of the closed group population and the open group population merited separate reporting for new participants. Accordingly, since FY 2016 the SOSI presents values for the closed group, new participants, and open group.

The significant assumptions used in the projections, in constant dollars, are the coal excise tax revenue estimates, tax rate structure, number of beneficiaries, life expectancy, Federal civilian pay raises, medical cost inflation, interest rate on new debt issued by the BLDTF, and the CPI-U for goods and services. The use of CPI-U factors allows the projections to be presented in constant dollars with FY 2017 as the base year. The valuation date for the projections is September 30, 2017. Effective for FY 2017 reporting DOL revised its projection period from a fixed terminus of FY 2040 to a rolling 25-year period beginning on the valuation date. Cash projections depend on the assumptions used and actual experience may differ materially from the projections.

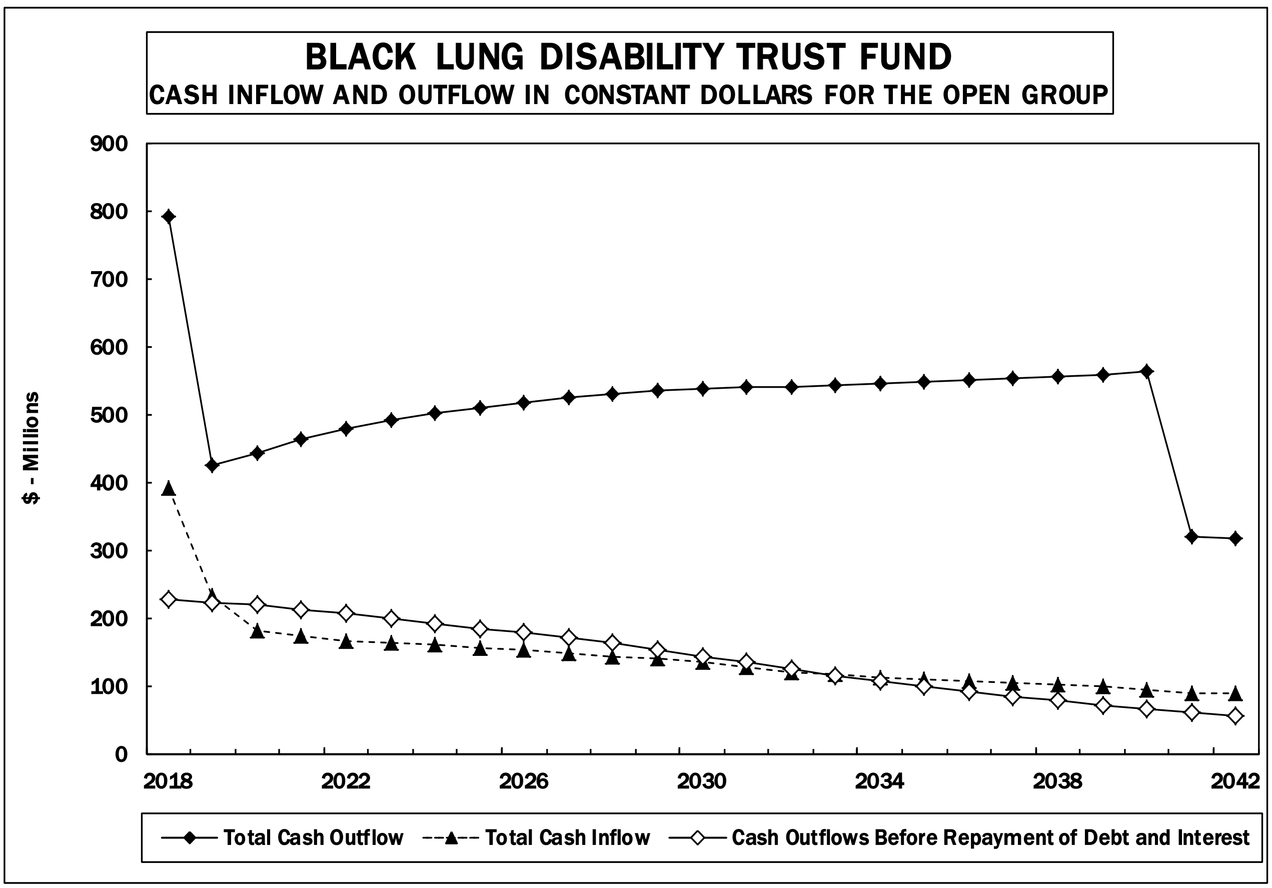
In order to be consistent with Executive Branch policy on regulations pursuant to the Clean Power Plan (CPP), DOL's estimates of future excise tax income were based on Energy Information Administration (EIA) projections of future coal production that do not reflect CPP regulation. The EIA projections reflect the continuing trend of lower coal production which would lead to lower future excise tax income. The effects of the significant decrease in projected cash inflows from excise taxes are also reflected in the Statement of Social Insurance as of September 30, 2017 and are the largest change reported in the Statement of Changes in Social Insurance Amounts for the year ended September 30, 2017.

In February 2016 the SCOTUS stayed implementation of regulation pursuant to the CPP due to litigation pending in the USCA. On August 8, 2017, the USCA ordered that the CPP litigation be held in abeyance for 60 days. As of September 30, 2017, the USCA abeyance remained in effect and the February 2016 SCOTUS stay of CPP regulation remained in effect.

The projections, in constant dollars for the open group, made over the 25-year period ending September 30, 2042, indicate that cash inflows from excise taxes will exceed cash outflows for benefit payments and administrative expenses for FYs 2018 and 2019, but cash outflows will exceed cash inflows for FYs 2020 through 2032 before reversing again in FY 2033. Cumulative net cash inflows are projected as $46.2 million by FY 2042. When payments from the BLDTF's maturing debt are applied against this surplus cash inflow, the BLDTF's cash flow turns negative in all periods included in the projections. Net cash outflows after payments on maturing debt are projected to reach $9.3 billion by the end of FY 2042, resulting in a projected deficit of nearly $12.5 billion at September 30, 2042. Amount totals in tables may differ slightly due to rounding (See Chart I and Table I).

The net present value of future projected benefit payments and other cash inflow and outflow activities for the closed group and the open group together with the fund's deficit positions as of September 30, 2017, 2016, 2015, 2014, and 2013 are presented in the SOSI.

Chart I

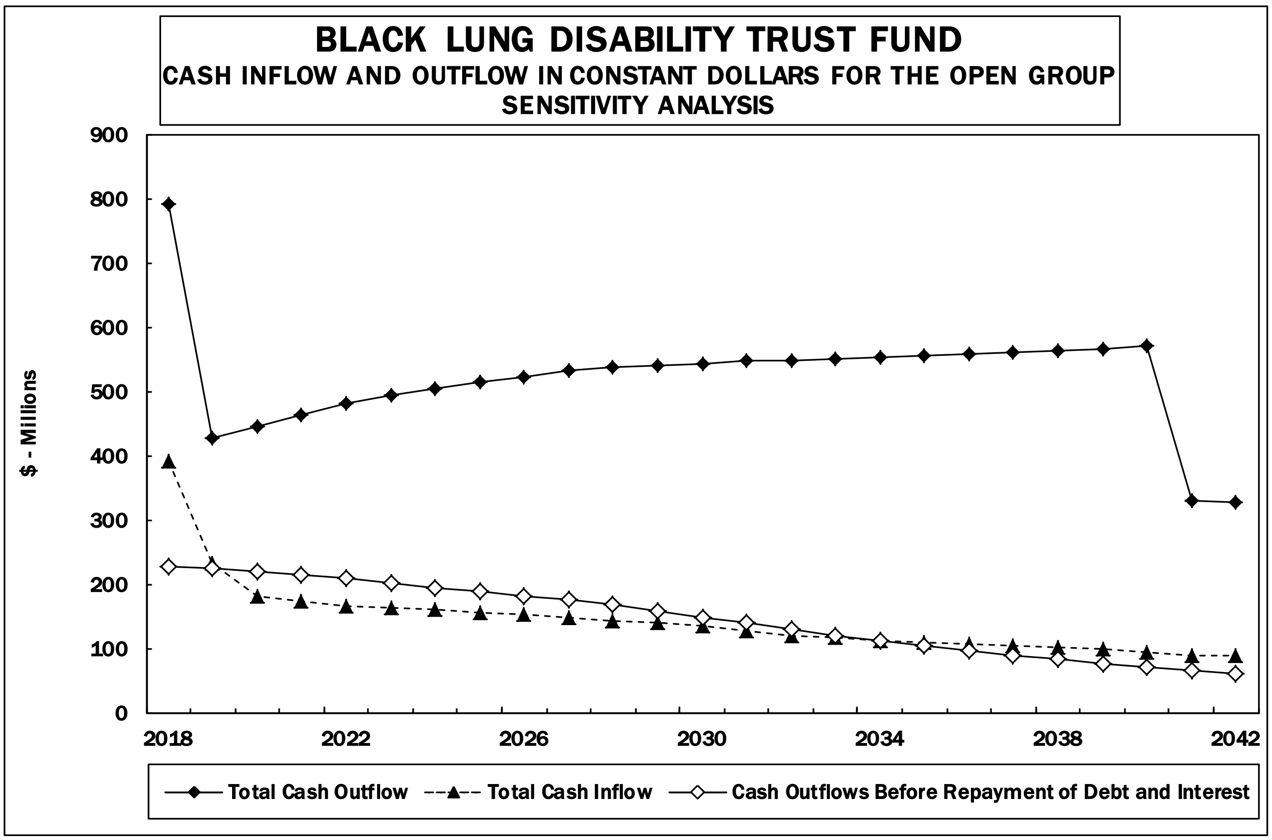


Projected Cash Inflows and Outflows with Sensitivity Analysis, in Constant Dollars, for the Open Group

For the projected cash inflows and outflows with sensitivity analysis, in constant dollars for the open group, the significant assumption for medical cost inflation was increased by 1.00%. For the sensitivity analysis, the other significant assumptions (coal excise tax revenue estimates, tax rate structure, number of beneficiaries, life expectancy, Federal civilian pay raises, interest rate on new debt issued by the BLDTF, and CPI-U for goods and services) were left unchanged. Cash projections depend on the assumptions used and actual experience may differ materially from the projections.

These projections with sensitivity analysis, in constant dollars for the open group, made over the 25-year period ending September 30, 2042, indicate that cash inflows from excise taxes will exceed cash outflows for benefit payments and administrative expenses for FYs 2018 and 2019, but cash outflows exceed cash inflows for FYs 2020 through 2033 before reversing again in FY 2034. Cumulative net cash outflows would be projected to reach $59.0 million by the year 2042. Furthermore, when payments from the BLDTF's maturing debt are applied, the BLDTF's net cash outflows after payments on maturing debt would be projected to reach $9.4 billion by the end of the year 2042, and would result in a projected deficit of $12.6 billion at September 30, 2042 (See Chart II and Table II). Amount totals in tables may differ slightly due to rounding.

Chart II



Closed Group, New Participants, and Open Group with Sensitivity Analysis

For the closed group, new participants, and open group with sensitivity analysis, we modified the significant assumptions as described above (see Projected Cash Inflows and Outflows with Sensitivity Analysis, in Constant Dollars for the Open Group) for the medical cost inflation but the other significant assumptions were left unchanged.

For the Sensitivity Analysis, the changes that we made in the assumptions as described above (see projected Cash Inflows and Outflows with Sensitivity Analysis, in Constant Dollars for the Open Group) had the following effects (in thousands of dollars):

(a) In the SOSI, for the closed group:
  (1) the present value of estimated future excise tax income during the projection period would decrease $37,420 from $2,011,565 to $1,974,145;
  (2) the present value of estimated future administrative costs during the projection period would decrease $13,272 from $713,472 to $700,200;
  (3) the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period would increase $33,697 from $1,280,920 to $1,314,617; and
  (4) the closed group measure would decrease $57,845 from $17,173 to $(40,672).

(b) In the SOSI, for the new participants:
  (1) the present value of estimated future excise tax income during the projection period would increase $37,420 from $1,616,686 to $1,654,106;
  (2) the present value of estimated future administrative costs during the projection period would increase $13,272 from $573,414 to $586,686;
  (3) the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period would increase $72,028 from $1,029,469 to $1,101,497; and
  (4) the excess of present value of estimated future excise tax income over present value of estimated future administrative costs and actuarial present value of future benefit payments during the projection period would decrease $47,880 from $13,803 to $(34,077).

(c) In the SOSI, for the open group:
  (1) the present value of estimated future excise tax income during the projection period would remain unchanged;
  (2) the present value of estimated future administrative costs during the projection period would remain unchanged;
  (3) the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period would increase $105,725 from $2,310,389 to $2,416,114; and
  (4) the open group measure would decrease $105,725 from $30,976 to $(74,749).

(d) In the SOSI, the trust fund net position at start of the projection period would remain unchanged.

(e) In the SOSI Summary Section, for the closed group:
  (1) the closed group measure would decrease $57,845 from $17,173 to $(40,672);
  (2) the Funds with U.S. Treasury and receivables from benefit overpayments would remain unchanged; and
  (3) the total of closed group measure plus fund assets would decrease $57,845 from $161,870 to $104,025.

(f) In the SOSI Summary Section, for the open group:
  (1) the open group measure would decrease $105,725 from $30,976 to $(74,749);
  (2) the Funds with U.S. Treasury and receivables from benefit overpayments would remain unchanged; and
  (3) the total of open group measure plus fund assets would decrease $105,725 from $175,673 to $69,948.

Cash projections depend on the assumptions used and actual experience may differ materially from the projections.

Table I

U.S. DEPARTMENT OF LABOR

SUPPLEMENTARY SOCIAL INSURANCE INFORMATION

CASH INFLOW AND OUTFLOW OF THE BLACK LUNG DISABILITY TRUST FUND IN CONSTANT DOLLARS

FOR THE 25-YEAR PERIOD ENDING SEPTEMBER 30, 2042

OPEN GROUP

(Dollars in thousands)	2018	2019	2020	2021	2022	2023 - 2042	Total
Balance, start of year	$ (5,610,709)	$ (5,633,717)	$ (5,714,121)	$ (5,864,617)	$ (6,044,630)	$ (6,246,899)	$ (5,610,709)
Cash inflow							
Excise taxes	391,777	233,264	181,390	172,746	167,178	2,470,828	3,617,183
Total cash inflow	391,777	233,264	181,390	172,746	167,178	2,470,828	3,617,183
Cash outflow							
Disabled coal miners benefits	159,761	156,016	151,278	145,435	138,850	1,536,510	2,287,850
Administrative costs	67,903	67,791	67,621	67,418	67,255	945,155	1,283,142
Cash outflows before repayment of debt and interest	227,664	223,807	218,899	212,852	206,105	2,481,665	3,570,993
Cash inflow over cash outflow (cash outflow over cash inflow) before repayment of debt and interest	164,113	9,457	(37,509)	(40,106)	(38,927)	(10,837)	46,190
Maturity of obligations refinanced October 2008	547,753	173,508	182,953	192,108	201,156	4,303,625	5,601,104
Interest on annual borrowings	16,459	28,783	41,200	57,492	71,062	3,506,186	3,721,183
Total cash outflow	791,876	426,099	443,053	462,453	478,323	10,291,475	12,893,279
Total cash outflow over total cash inflow	(400,099)	(192,835)	(261,663)	(289,707)	(311,145)	(7,820,647)	(9,276,096)
Reduction of debt refinanced October 2008	377,091	112,431	111,167	109,694	108,877	1,595,153	2,414,413
Balance, end of year	$ (5,633,717)	$ (5,714,121)	$ (5,864,617)	$ (6,044,630)	$ (6,246,899)	$ (12,472,392)	$ (12,472,392)

Table II

U.S. DEPARTMENT OF LABOR

SUPPLEMENTARY SOCIAL INSURANCE INFORMATION SENSITIVITY ANALYSIS

CASH INFLOW AND OUTFLOW OF THE BLACK LUNG DISABILITY TRUST FUND IN CONSTANT DOLLARS

FOR THE 25-YEAR PERIOD ENDING SEPTEMBER 30, 2042

OPEN GROUP

(Dollars in thousands)	2018	2019	2020	2021	2022	2023 - 2042	Total
Balance, start of year	$ (5,610,709)	$ (5,634,524)	$ (5,716,237)	$ (5,868,585)	$ (6,051,019)	$ (6,256,270)	$ (5,610,709)
Cash inflow							
Excise taxes	391,777	233,264	181,390	172,746	167,178	2,470,828	3,617,183
Total cash inflow	391,777	233,264	181,390	172,746	167,178	2,470,828	3,617,183
Cash outflow							
Disabled coal miners benefits	160,568	157,305	153,074	147,734	141,627	1,632,777	2,393,085
Administrative costs	67,903	67,791	67,621	67,418	67,255	945,155	1,283,142
Cash outflows before repayment of debt and interest	228,471	225,096	220,696	215,152	208,881	2,577,931	3,676,227
Cash inflow over cash outflow (cash outflow over cash inflow) before repayment of debt and interest	163,306	8,168	(39,306)	(42,406)	(41,703)	(107,103)	(59,044)
Maturity of obligations refinanced October 2008	547,753	173,508	182,953	192,108	201,156	4,303,625	5,601,104
Interest on annual borrowings	16,459	28,804	41,256	57,613	71,268	3,543,715	3,759,115
Total cash outflow	792,683	427,408	444,905	464,873	481,306	10,425,271	13,036,446
Total cash outflow over total cash inflow	(400,906)	(194,144)	(263,515)	(292,127)	(314,128)	(7,954,443)	(9,419,263)
Reduction of debt refinanced October 2008	377,091	112,431	111,167	109,694	108,877	1,595,153	2,414,413
Balance, end of year	$ (5,634,524)	$ (5,716,237)	$ (5,868,585)	$ (6,051,019)	$ (6,256,270)	$ (12,615,560)	$ (12,615,560)

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COMBINING STATEMENTS OF BUDGETARY RESOURCES

The principal Combined Statements of Budgetary Resources combine the availability, status, and outlay of DOL's budgetary resources during FY 2017 and FY 2016. Presented on the following pages is the disaggregation of this combined information for each of the Department's major budget agencies.

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COMBINING STATEMENTS OF BUDGETARY RESOURCES
For the Year Ended September 30, 2017

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs	Office of Job Corps	Occupational Safety and Health Administration
BUDGETARY RESOURCES				
Unobligated balance brought forward, October 1	$ 1,387,035	$ 1,363,700	$ 1,057,769	$ 15,306
Recoveries of prior year unpaid obligations	257,279	27,384	61,530	8,379
Other changes in unobligated balance	(331,643)	(1,134)	(17,994)	(8,740)
Unobligated balance from prior year budget authority, net	1,312,671	1,389,950	1,101,305	14,945
Appropriations (discretionary and mandatory)	38,807,728	2,164,703	1,718,173	552,787
Spending authority from offsetting collections (discretionary and mandatory)	3,447,722	3,120,629	-	1,976
Total budgetary resources	$ 43,568,121	$ 6,675,282	$ 2,819,478	$ 569,708
STATUS OF BUDGETARY RESOURCES				
New obligations and upward adjustments (total)	$ 42,465,992	$ 5,014,082	$ 1,793,774	$ 555,786
Unobligated balance, end of year				
Apportioned, unexpired accounts	517,656	1,621,366	931,944	71
Exempt from apportionment, unexpired accounts	-	33,211	-	-
Unapportioned, unexpired accounts	61,845	5,370	7,500	-
Unexpired unobligated balance, end of year	579,501	1,659,947	939,444	71
Expired unobligated balance, end of year	522,628	1,253	86,260	13,851
Total unobligated balance, end of year	1,102,129	1,661,200	1,025,704	13,922
Total budgetary resources	$ 43,568,121	$ 6,675,282	$ 2,819,478	$ 569,708
CHANGE IN OBLIGATED BALANCE				
Unpaid Obligations:				
Unpaid obligations, brought forward, October 1	$ 10,698,801	$ 319,952	$ 914,101	$ 70,336
New obligations and upward adjustments	42,465,992	5,014,082	1,793,774	555,786
Less: outlays (gross)	(42,843,161)	(4,997,864)	(1,612,756)	(557,894)
Less: recoveries of prior year unpaid obligations	(257,279)	(27,384)	(61,530)	(8,379)
Unpaid obligations, end of year	10,064,353	308,786	1,033,589	59,849
Uncollected Payments:				
Uncollected payments, Federal sources, brought forward, October 1	(1,732,249)	(2,364)	-	(500)
Change in uncollected payments, Federal sources	281,943	(149,340)	-	473
Uncollected payments, Federal sources, end of year	(1,450,306)	(151,704)	-	(27)
Memorandum (non-add) entries:				
Obligated balance, start of year	$ 8,966,552	$ 317,588	$ 914,101	$ 69,836
Obligated balance, end of year	$ 8,614,047	$ 157,082	$ 1,033,589	$ 59,822
BUDGET AUTHORITY AND OUTLAYS, NET				
Budget authority, gross (discretionary and mandatory)	$ 42,255,450	$ 5,285,332	$ 1,718,173	$ 554,763
Less: actual offsetting collections (discretionary and mandatory)	(3,743,398)	(2,971,463)	(51)	(2,492)
Less: change in uncollected customer payments from Federal sources (discretionary and mandatory)	281,943	(149,340)	-	473
Recoveries of prior year paid obligations (discretionary and mandatory)	13,733	174	51	43
Budget authority, net (discretionary and mandatory)	$ 38,807,728	$ 2,164,703	$ 1,718,173	$ 552,787
Outlays, gross (discretionary and mandatory)	$ 42,843,161	$ 4,997,864	$ 1,612,756	$ 557,894
Actual offsetting collections (discretionary and mandatory)	(3,743,398)	(2,971,463)	(51)	(2,492)
Outlays, net (discretionary and mandatory)	39,099,763	2,026,401	1,612,705	555,402
Distributed offsetting receipts	(550,080)	(2,166)	-	-
Agency outlays, net (discretionary and mandatory)	$ 38,549,683	$ 2,024,235	$ 1,612,705	$ 555,402

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training Service	Wage and Hour Division	Other Program Agencies	TOTAL
$ 4,508	$ 5,817	$ 3,899	$ 6,615	$ 26,903	$ 84,713	$ 3,956,265
4,081	4,680	3,210	13,318	4,286	31,886	416,033
(1,369)	(3,472)	(3,120)	(4,470)	(4,315)	2,688	(373,569)
7,220	7,025	3,989	15,463	26,874	119,287	3,998,729
544,000	373,816	183,000	45,000	273,782	623,239	45,286,228
93,813	1,352	5,670	235,768	4,001	467,458	7,378,389
$ 645,033	$ 382,193	$ 192,659	$ 296,231	$ 304,657	$ 1,209,984	$ 56,663,346
$ 639,258	$ 376,602	$ 189,191	$ 280,686	$ 290,742	$ 1,126,049	$ 52,732,162
671	570	4	272	3,133	64,753	3,140,440
-	-	-	-	-	-	33,211
-	5	-	-	5,547	7,624	87,891
671	575	4	272	8,680	72,377	3,261,542
5,104	5,016	3,464	15,273	5,235	11,558	669,642
5,775	5,591	3,468	15,545	13,915	83,935	3,931,184
$ 645,033	$ 382,193	$ 192,659	$ 296,231	$ 304,657	$ 1,209,984	$ 56,663,346
$ 111,718	$ 35,938	$ 41,958	$ 107,378	$ 31,251	$ 548,218	$ 12,879,651
639,258	376,602	189,191	280,686	290,742	1,126,049	52,732,162
(635,978)	(372,744)	(193,522)	(272,844)	(292,983)	(1,070,410)	(52,850,156)
(4,081)	(4,680)	(3,210)	(13,318)	(4,286)	(31,886)	(416,033)
110,917	35,116	34,417	101,902	24,724	571,971	12,345,624
-	-	(2,835)	-	-	(10,229)	(1,748,177)
-	-	1,791	-	-	(10,301)	124,566
-	-	(1,044)	-	-	(20,530)	(1,623,611)
$ 111,718	$ 35,938	$ 39,123	$ 107,378	$ 31,251	$ 537,989	$ 11,131,474
$ 110,917	$ 35,116	$ 33,373	$ 101,902	$ 24,724	$ 551,441	$ 10,722,013
$ 637,813	$ 375,168	$ 188,670	$ 280,768	$ 277,783	$ 1,090,697	$ 52,664,617
(94,165)	(1,436)	(7,510)	(235,792)	(4,100)	(457,768)	(7,518,175)
-	-	1,791	-	-	(10,301)	124,566
352	84	49	24	99	611	15,220
$ 544,000	$ 373,816	$ 183,000	$ 45,000	$ 273,782	$ 623,239	$ 45,286,228
$ 635,978	$ 372,744	$ 193,522	$ 272,844	$ 292,983	$ 1,070,410	$ 52,850,156
(94,165)	(1,436)	(7,510)	(235,792)	(4,100)	(457,768)	(7,518,175)
541,813	371,308	186,012	37,052	288,883	612,642	45,331,981
-	-	-	-	-	(6,882)	(559,128)
$ 541,813	$ 371,308	$ 186,012	$ 37,052	$ 288,883	$ 605,760	$ 44,772,853

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

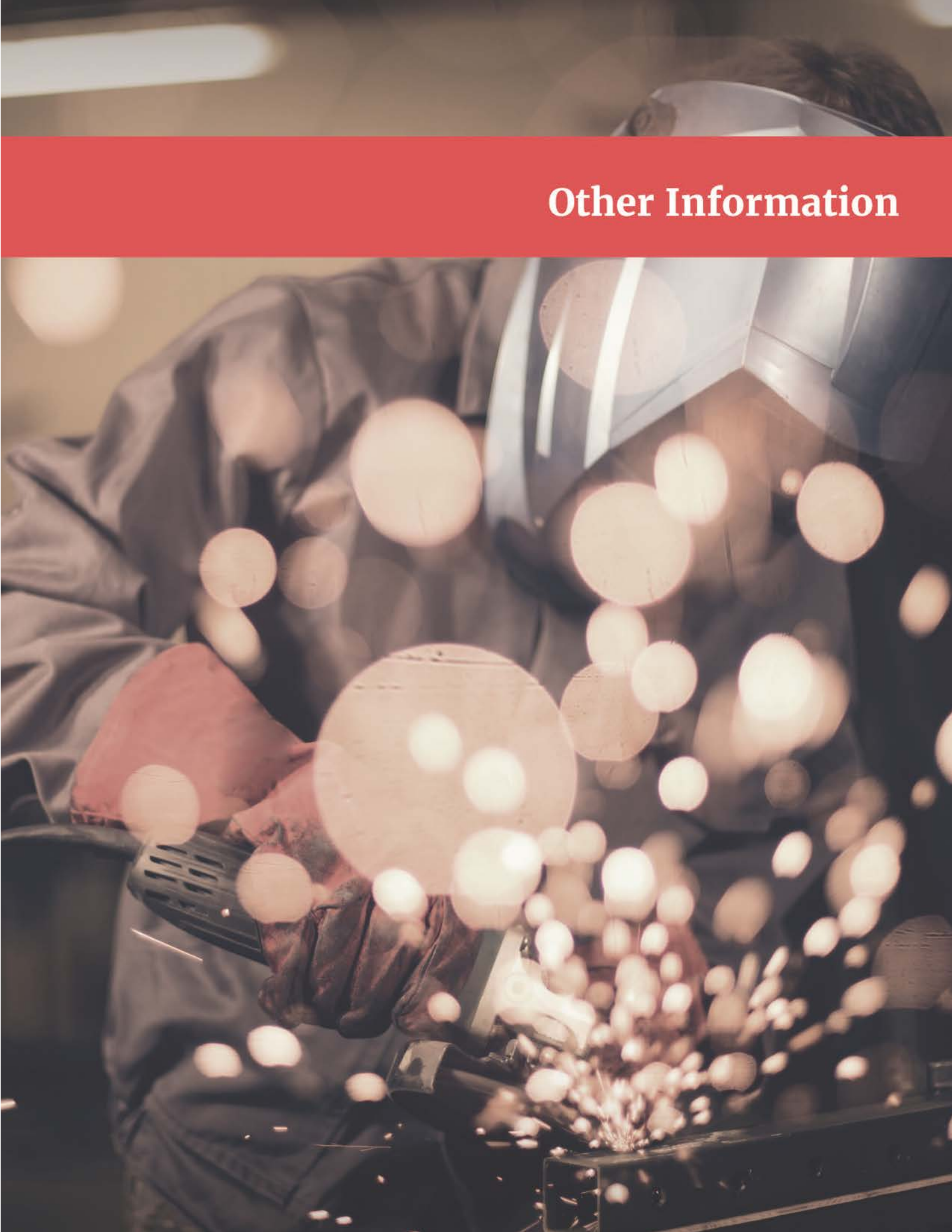
COMBINING STATEMENTS OF BUDGETARY RESOURCES
For the Year Ended September 30, 2016

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs	Office of Job Corps	Occupational Safety and Health Administration
BUDGETARY RESOURCES				
Unobligated balance brought forward, October 1	$ 953,612	$ 1,454,788	$ 877,320	$ 10,433
Recoveries of prior year unpaid obligations	470,277	7,539	71,448	13,067
Other changes in unobligated balance	(189,934)	12,908	(18,271)	(6,235)
Unobligated balance from prior year budget authority, net	1,233,955	1,475,235	930,497	17,265
Appropriations (discretionary and mandatory)	41,350,204	1,944,231	1,699,090	552,787
Spending authority from offsetting collections (discretionary and mandatory)	3,575,606	3,074,572	-	2,250
Total budgetary resources	$ 46,159,765	$ 6,494,038	$ 2,629,587	$ 572,302
STATUS OF BUDGETARY RESOURCES				
New obligations and upward adjustments (total)	$ 44,772,730	$ 5,130,338	$ 1,571,818	$ 556,996
Unobligated balance, end of year				
Apportioned, unexpired accounts	698,047	1,323,442	992,389	56
Exempt from apportionment, unexpired accounts	-	37,251	-	-
Unapportioned, unexpired accounts	35,288	1,768	10,334	-
Unexpired unobligated balance, end of year	733,335	1,362,461	1,002,723	56
Expired unobligated balance, end of year	653,700	1,239	55,046	15,250
Total unobligated balance, end of year	1,387,035	1,363,700	1,057,769	15,306
Total budgetary resources	$ 46,159,765	$ 6,494,038	$ 2,629,587	$ 572,302
CHANGE IN OBLIGATED BALANCE				
Unpaid Obligations:				
Unpaid obligations, brought forward, October 1	$ 10,929,051	$ 276,898	$ 1,063,891	$ 87,675
New obligations and upward adjustments	44,772,730	5,130,338	1,571,818	556,996
Less: outlays (gross)	(44,532,703)	(5,079,745)	(1,650,160)	(561,268)
Less: recoveries of prior year unpaid obligations	(470,277)	(7,539)	(71,448)	(13,067)
Unpaid obligations, end of year	10,698,801	319,952	914,101	70,336
Uncollected Payments:				
Uncollected payments, Federal sources, brought forward, October 1	(1,690,336)	(2,060)	-	(500)
Change in uncollected payments, Federal sources	(41,913)	(304)	-	-
Uncollected payments, Federal sources, end of year	(1,732,249)	(2,364)	-	(500)
Memorandum (non-add) entries:				
Obligated balance, start of year	$ 9,238,715	$ 274,838	$ 1,063,891	$ 87,175
Obligated balance, end of year	$ 8,966,552	$ 317,588	$ 914,101	$ 69,836
BUDGET AUTHORITY AND OUTLAYS, NET				
Budget authority, gross (discretionary and mandatory)	$ 44,925,810	$ 5,018,803	$ 1,699,090	$ 555,037
Less: actual offsetting collections (discretionary and mandatory)	(3,544,152)	(3,089,359)	(89)	(2,303)
Less: change in uncollected customer payments from Federal sources (discretionary and mandatory)	(41,913)	(304)	-	-
Recoveries of prior year paid obligations (discretionary and mandatory)	10,459	15,091	89	53
Budget authority, net (discretionary and mandatory)	$ 41,350,204	$ 1,944,231	$ 1,699,090	$ 552,787
Outlays, gross (discretionary and mandatory)	$ 44,532,703	$ 5,079,745	$ 1,650,160	$ 561,268
Actual offsetting collections (discretionary and mandatory)	(3,544,152)	(3,089,359)	(89)	(2,303)
Outlays, net (discretionary and mandatory)	40,988,551	1,990,386	1,650,071	558,965
Distributed offsetting receipts	(722,541)	(1,617)	-	-
Agency outlays, net (discretionary and mandatory)	$ 40,266,010	$ 1,988,769	$ 1,650,071	$ 558,965

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training Service	Wage and Hour Division	Other Program Agencies	TOTAL
$ 7,580	$ 6,789	$ 5,483	$ 5,191	$ 34,728	$ 91,534	$ 3,447,458
5,627	3,222	2,753	5,829	7,496	16,416	603,674
(2,647)	(2,707)	(3,644)	(4,154)	(6,254)	(7,355)	(228,293)
10,560	7,304	4,592	6,866	35,970	100,595	3,822,839
544,000	375,887	181,000	38,109	275,365	651,077	47,611,750
91,059	1,710	6,427	233,001	2,800	423,440	7,410,865
$ 645,619	$ 384,901	$ 192,019	$ 277,976	$ 314,135	$ 1,175,112	$ 58,845,454
$ 641,111	$ 379,084	$ 188,120	$ 271,361	$ 287,232	$ 1,090,399	$ 54,889,189
621	561	8	151	1,228	67,432	3,083,935
-	-	-	-	-	-	37,251
-	-	-	-	19,793	6,105	73,288
621	561	8	151	21,021	73,537	3,194,474
3,887	5,256	3,891	6,464	5,882	11,176	761,791
4,508	5,817	3,899	6,615	26,903	84,713	3,956,265
$ 645,619	$ 384,901	$ 192,019	$ 277,976	$ 314,135	$ 1,175,112	$ 58,845,454
$ 99,487	$ 43,766	$ 47,384	$ 107,294	$ 33,777	$ 511,608	$ 13,200,831
641,111	379,084	188,120	271,361	287,232	1,090,399	54,889,189
(623,253)	(383,690)	(190,793)	(265,448)	(282,262)	(1,037,373)	(54,606,695)
(5,627)	(3,222)	(2,753)	(5,829)	(7,496)	(16,416)	(603,674)
111,718	35,938	41,958	107,378	31,251	548,218	12,879,651
-	-	(2,690)	-	-	(2,040)	(1,697,626)
-	-	(145)	-	-	(8,189)	(50,551)
-	-	(2,835)	-	-	(10,229)	(1,748,177)
$ 99,487	$ 43,766	$ 44,694	$ 107,294	$ 33,777	$ 509,568	$ 11,503,205
$ 111,718	$ 35,938	$ 39,123	$ 107,378	$ 31,251	$ 537,989	$ 11,131,474
$ 635,059	$ 377,597	$ 187,427	$ 271,110	$ 278,165	$ 1,074,517	$ 55,022,615
(91,292)	(1,834)	(6,330)	(233,010)	(2,909)	(418,580)	(7,389,858)
-	-	(145)	-	-	(8,189)	(50,551)
233	124	48	9	109	3,329	29,544
$ 544,000	$ 375,887	$ 181,000	$ 38,109	$ 275,365	$ 651,077	$ 47,611,750
$ 623,253	$ 383,690	$ 190,793	$ 265,448	$ 282,262	$ 1,037,373	$ 54,606,695
(91,292)	(1,834)	(6,330)	(233,010)	(2,909)	(418,580)	(7,389,858)
531,961	381,856	184,463	32,438	279,353	618,793	47,216,837
-	-	-	-	-	(16,756)	(740,914)
$ 531,961	$ 381,856	$ 184,463	$ 32,438	$ 279,353	$ 602,037	$ 46,475,923

Other Information



Inspector General's Top Management and Performance Challenges

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

October 16, 2017

MEMORANDUM FOR THE SECRETARY

FROM: SCOTT S. DAHL
Inspector General

SUBJECT: Top DOL Management and Performance Challenges

As required by the Reports Consolidation Act of 2000, we have identified the most serious management and performance challenges facing the Department of Labor (DOL). These challenges will be 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 an 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
- Protecting the Safety and Health of Workers
- Helping Adults and Youth Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market
- Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families
- Reducing Improper Payments
- Maintaining the Integrity of Foreign Labor Certification Programs
- Monitoring and Managing Compounded Drug Medications in the FECA Program
- Securing and Managing Information Systems

I would be pleased to meet with you concerning any aspect of this report.

Attachment

cc: Nicholas C. Geale, Chief of Staff, Acting Solicitor of Labor
Geoffrey Kenyon, Principal Chief Deputy Financial Officer

Working for America's Workforce

Top Management and Performance Challenges Facing the Department of Labor

As of November 2017, 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
- Protecting the Safety and Health of Workers
- Helping Adults and Youth Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market
- Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families
- Reducing Improper Payments
- Maintaining the Integrity of Foreign Labor Certification Programs
- Monitoring and Managing Pharmaceuticals in the FECA Program
- Securing and Managing Information Systems

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 indicators.[1] In June 2017, ETA issued guidance 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.

[1] "Performance Accountability Guidance for Workforce Innovation and Opportunity Act (WIOA) Title I, Title II, Title III and Title IV Core Programs."

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.

Summary of Financial Statement Audit and Management Assurances

The following tables provide a summary of the Department's FY 2017 financial statement audit and its management assurances.

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Lack of Sufficient IT General Controls over Key Financial Feeder Systems	1		1		0
Deficiencies in Estimating Future Excise Tax Income	1		1		0
Improvement Needed for Estimate Reviews		1			1
Total Material Weaknesses	2	1	2		1

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0					0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0					0
Conformance with financial management system requirements (FMFIA § 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0					0
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
1. System Requirements	No lack of compliance noted.			No lack of compliance noted.		
2. Accounting Standards	No lack of compliance noted.			No lack of compliance noted.		
3. United States Standard General Ledger (USSGL) at Transaction Level	No lack of compliance noted.			No lack of compliance noted.		

Payment Integrity

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA), requires federal agencies to identify and reduce improper payments (IP) and report annually on their efforts according to guidance promulgated by the Office of Management and Budget (OMB). For more detailed information on IP and all of the information previously reported in AFRs that is no longer included due to changes in OMB Circular A-136 requirements, please see: https://paymentaccuracy.gov/

IPIA Section 2(a) requires agency heads to review all programs to identify risk susceptibility for significant IP every three years. DOL conducted a Department-wide Triennial IPIA Review which included risk assessments and recapture audit cost-benefit analyses of all identified programs in FY 2016 through FY 2017. Information on the previous Department-wide reviews may be found in DOL's FY 2014 AFR. Detailed information on the results of FY 2017 IP susceptibility risk assessments may be found directly below, and results of recapture audit cost-benefit analyses in **Section II. Recapture of Improper Payments Reporting**.

OMB Circular A-123, Appendix C requires that all agencies institute a systematic method of reviewing all programs and identify programs susceptible to significant IP. This systematic method could be a quantitative evaluation based on a statistical sample or a qualitative method (e.g., a risk-assessment questionnaire). At a minimum, agencies are required to take into account the following risk factors likely to contribute to IP, regardless of which method (quantitative or qualitative) is used:

i. Whether the program or activity reviewed is new to the agency;
ii. The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts;
iii. The volume of payments made annually;
iv. Whether payments or payment eligibility decisions are made outside of the agency, for example, by a State or local government, or a regional Federal office;
v. Recent major changes in program funding, authorities, practices, or procedures;
vi. The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate;
vii. Inherent risks of improper payments due to the nature of agency programs or operations;
viii. Significant deficiencies in the audit reports of the agency including, but not limited to, the agency Inspector General or the Government Accountability Office (GAO) audit report findings, or other relevant management findings that might hinder accurate payment certification; and
ix. Results from prior improper payment work.

As part of the Department's regular cycle of Department-wide Triennial IPERA Reviews, IP risk assessments were conducted for all programs in FY 2016 and 2017. FY 2016 reviews were conducted for newly authorized ETA WIOA programs, as reported in DOL's FY 2016 AFR. FY 2017 reviews were conducted for all other identified programs based on the Department's 2013 Program Inventory, including activities or sets of activities recognized as programs by the public, OMB, or Congress, as well as those that entail program management or policy direction. All programs identified in the 2013 Program Inventory were reviewed for suitability for reporting under IPIA guidelines. Some were excluded from review in FY 2017 due to cancellation (e.g. Workforce Investment Act programs replaced by WIOA programs reviewed in FY 2016), or because their financial functions were determined to be controlled by another reporting program and therefore not required to report separately.

UI and FECA continue to be considered susceptible to IP because they report an IP rate above the legal threshold in IPERA. No additional DOL programs were determined to be susceptible for IP. OIG was not responsive to communication regarding the Department-wide Triennial IPERA Reviews.

Susceptibility to Improper Payments Risk Assessment Results		
Agency	**Program**	**Result**
ETA	UI	Susceptible to Improper Payments. Already reports.
ETA	Job Corps	Not Susceptible to Significant Improper Payments
ETA	Community Service Employment for Older Americans	Not Susceptible to Significant Improper Payments
ETA	Employment Service	Not Susceptible to Significant Improper Payments
ETA	Foreign Labor Certification	Not Susceptible to Significant Improper Payments
ETA	Workforce Information	Not Susceptible to Significant Improper Payments
ETA	Apprenticeship	Not Susceptible to Significant Improper Payments
ETA	ETA management and other	Not Susceptible to Significant Improper Payments
EBSA	EBSA	Not Susceptible to Significant Improper Payments
OWCP	FECA	Susceptible to Improper Payments. Already reports.
OWCP	Longshore and Harbor Workers Compensation	Not Susceptible to Significant Improper Payments
OWCP	Energy Employees Occupational Illness Compensation	Not Susceptible to Significant Improper Payments
OWCP	Coal Mine Workers' Compensation	Not Susceptible to Significant Improper Payments
OLMS	OLMS	Not Susceptible to Significant Improper Payments
WHD	WHD	Not Susceptible to Significant Improper Payments
OFCCP	OFCCP	Not Susceptible to Significant Improper Payments
OSHA	OSHA	Not Susceptible to Significant Improper Payments
MSHA	MSHA	Not Susceptible to Significant Improper Payments
BLS	Labor Force Statistics	Not Susceptible to Significant Improper Payments
BLS	Prices and Cost of Living	Not Susceptible to Significant Improper Payments
BLS	Compensation and Working Conditions	Not Susceptible to Significant Improper Payments
BLS	Productivity and Technology	Not Susceptible to Significant Improper Payments
BLS	Executive Direction and Staff Services	Not Susceptible to Significant Improper Payments
ILAB	ILAB	Not Susceptible to Significant Improper Payments
WB	WB	Not Susceptible to Significant Improper Payments
ODEP	ODEP	Not Susceptible to Significant Improper Payments
VETS	Jobs for Veterans State Grants	Not Susceptible to Significant Improper Payments
VETS	Transition Assistance Program Employment Workshop	Not Susceptible to Significant Improper Payments
VETS	Homeless Veterans' Reintegration Program	Not Susceptible to Significant Improper Payments
VETS	Federal Administration & USERRA Enforcement	Not Susceptible to Significant Improper Payments
DM	Departmental Management and other	Not Susceptible to Significant Improper Payments
OIG	OIG	Not responsive.

NOTES: For the purposes of IPERA reporting, “Departmental Management and other” includes all OCFO-controlled finance operations, including payroll, contract procurement, property management, rent, and fleet.

I. PAYMENT REPORTING

DOL Programs Required to Submit Improper Payments Estimates ($ in millions) [1]						
Program	Requirement Based on…	Measure	Estimated Rate (% of total outlays & total $)[6]			
			FY17 [2]		FY16 [3]	
Unemployment Insurance (UI)	IP rate exceeds threshold	Proper Payments	87.50%	$28,464.08	88.35%	$28,736.10
		IP Rate:	12.50%	$4,065.92	11.65%	$3,788.09
		…Overpayments	12.11%	$3,937.76	11.19%	$3,637.83
		…Underpayments	0.39%	$128.17	0.46%	$150.26
		IP Made Directly by the Federal Government	0%	$0.00	0%	$0.00
		IP Made By Recipients of Federal Money [4]	12.50%	$4,065.92	11.65%	$3,788.09
		Net IP (IP Minus Amounts Recovered by States)	10.12%	$3,292.49	8.70%	$2,828.58
		IP Minus "Work Search" Errors	8.23%	$2,676.89	7.69%	$2,502.09
Federal Employees' Compensation Act (FECA)	IP rate exceeds threshold	Proper Payments	97.94%	$2,722.91	96.46%	$2,895.00
		IP Rate:	2.06%	$57.19	3.54%	$106.32
		…Overpayments	1.17%	$32.40	1.40%	$41.97
		…Underpayments	0.89%	$24.79	2.14%	$64.35
		IP Made Directly by the Federal Government	1.37%	$38.10	1.70%	$51.07
		IP Made By Recipients of Federal Money [5]	0.69%	$19.08	1.84%	$55.25

Notes: [1] Covers the 12-month period from July 1, 2016 through June 30, 2017.

[2] FY 2017 UI outlays are based on the Unemployment Insurance Outlook for the President's FY 2018 Budget. The FY17 IP rate is estimated from the results of the Benefit Accuracy Measurement (BAM) survey. The rate reflects the population amounts of UI benefits paid reported by BAM. In some states these population outlays differ from the outlays reported on the ETA 5159 report. As a result of these variances, the IP rate may be underestimated by <= 0.09 percentage points.

[3] The FY16 UI outlays and estimated IP differ from figures published in DOL's FY 2016 AFR. Outlays in the FY16 AFR ($33,090 M) were based on the Unemployment Insurance Outlook for the President's FY17 Budget. The revised outlays of $32,524.19M are based on the outlays reported by State Workforce Agencies on the ETA 5159 Claims and Payment Activities reports for the State UI, UCFE, UCX, EB, and EUC 2008 programs. The revised estimated IP amount is based on multiplying the estimated FY16 IP of 11.65% by the revised outlays.

[4] These figures represent the IP amounts and percentages made by the UI agencies in the 53 states and territories. Although the significant majority of these payments are funded by taxes collected by the states and territories on employers in their jurisdictions, the funds are deposited in the Unemployment Trust Fund and are considered federal funds for IP purposes.

[5] These payments encompass those made from the OWCP's bill payment contractor.

[6] Rounding error may account for imprecise totals.

FY 2018 IP REDUCTION TARGETS

Fiscal integrity is fundamental to the stewardship of public funds. Elimination and mitigation of IP is an important goal at the Department of Labor. DOL takes steps to continuously improve its processes to cost-effectively reduce fraud, waste, and abuse. The following chart shows IP targets by reporting program for the following fiscal year as a percent of total outlays.

IP Reduction Target Rates (% of total outlays)	
Program or Activity	FY18 IP Target Rate (as % of total outlays)
Unemployment Insurance (UI)	13.75%
Federal Employees' Compensation Act (FECA)	3.38%

UI Program:

DOL's Employment and Training Administration (ETA) estimates that the UI improper payment will increase in FY 2018 to 13.75%. Although significant work has been done by ETA and the states to reduce the annual target to meet the IP rate of 10%, certain conditions have prevented the DOL from meeting that target. See the discussion in **Section IV: Barriers**, below. In addition, the Middle Class Tax Relief and Job Creation Act of 2012, enacted on February 22, 2012, amended the Social Security Act (SSA) to add a work search requirement as a condition of UI eligibility (SSA, Section 303(a)(12)). Prior to this enactment, all states had a work search requirement as part of their state laws and states had flexibility in interpreting and applying their work search requirements. A total of 19 states have a law or policy that provides formal or informal warning when claimants first fail to conduct required work search activities. However, state formal warning policies have been determined not permissible under the Federal work search law. ETA is in the process of issuing an Unemployment Insurance Program Letter informing the states that formal and informal warnings are no longer permitted. The target rate noted above is based on BAM data from 2017 and does not reflect the possible full impact of this policy change. States will need time to amend their laws, policies, and regulations to implement this change. This new policy will lead to higher IP rates as states stop using warnings and start including these incidents in the count of IP. The full impact will depend on how quickly states are able to comply with the new policy. The target rate of 13.75% reflected above is provided based on the assumption that not all states will be able to implement the new guidance in the 2018 reporting year.

FECA Program:

DOL's Office of Workers' Compensation (OWCP) estimates that the FECA program's IP rate will increase in FY 2018. Although the FECA program continues to implement changes to reduce the IP rate, FECA must consider critical factors which will prevent the DOL from reducing its target. See the discussion in **Section IV: Barriers**, below. In addition, the program anticipates a significant increase in fraud restitution for FY 2018. This is primarily due to a single $27.9 million court-ordered restitution awarded to the Department that will be taken into account in next year's rate. Assuming no other changes, this one restitution order alone will drive the IP rate up by an estimated 0.32% next year. With the increased activity related to provider fraud investigation, it is likely that other such judgements will occur over this next year. As shown in the **FECA Program Improper Payment Root Cause Categories** table below, the IP three-year base restitution totals for FY 2017 averaged $10.3 million. This accounts for 18% of FECA's cumulative IP estimate. The error rate in this category is expected to increase to at least $19 million in FY 2018 and may potentially reflect upwards of 30% of the total IP estimate. Since the amount of court-ordered restitution is beyond OWCP's control, OWCP will maintain its previously established FY 2018 reduction target rate of 3.38%.

ROOT CAUSES

The following chart describes IP root causes as described in OMB Circular A-136 for programs found susceptible to improper payments, the amount of total overpayments and underpayments estimated to be attributable to those root causes, describes forward looking corrective actions, and actions taken, results, and completion dates. The root cause model provided in OMB Circular A-136 is highly generalized for application across the Federal government. DOL programs found susceptible to IP have developed program specific root cause models to improve payment integrity efforts.

UI Program:

The UI Program has a highly mature root cause category model which varies slightly from the model provided in OMB Circular A-136. The models are melded in the **UI Program Improper Payment Root Cause Category Matrix** and narrative below by inserting the UI model root cause into the most appropriate generalized OMB root cause category.

UI Program Improper Payment Root Cause Category Matrix ($ in millions)

OMB Root Cause		Overpayments	Underpayments
Program Design or Structural Issue		$2,406.36	$97.71
Inability to Authenticate Eligibility		$903.40	
Failure to Verify	Excluded Party		
	Death Data		
	Financial Data		
	Prisoner Data		
	Other Eligibility Data	$182.52	$10.11
Administrative or Process Error Made by:	Federal Agency		
	State or Local Agency	$223.63	$12.42
	Other Party		
Medical Necessity			
Insufficient Documentation to Determine		$79.46	
Other: [1]		$142.39	$7.93
Total [2]		**$3,937.76**	**$128.17**

Notes: [1] The "Other" category includes 1) IP which the State agency was in the process of resolving prior to the BAM sample being selected or state had correctly resolved the issue between the time of the original payment and the time the BAM sample was selected thereby resulting in the correct action being taken and all issues resolved before the BAM investigation was completed; and 2) IP which the State agency had detected as a result of crossmatch with the State or National Directory of New Hires or State wage record files and had taken official action to establish overpayment for recovery before the BAM investigation was completed.
[2] Rounding error may account for imprecise totals.

Program Design or Structural Issue: Certain essential program features continue to contribute to the UI program's IP rate. These structural features consist of legal requirements for the operation of the UI program which cause states to make payments when due that are later determined to be improper due to receipt of information that was not available at the time the payment was required to be made, or as a result of due process requirements for notice and the opportunity to be heard prior to stopping payment of benefits.

Work search IPs are currently the largest root cause of UI overpayments. As part of their continuing eligibility for ongoing benefits after being determined initially eligible for UI benefits, UI claimants are required to certify that they have met a state's work search requirements for each continued week of benefits claimed and to document their work search in accordance with the state's law. Federal law requires that when an eligibility issue is detected, the claimant has a right to receive notice and to provide information before being denied benefits. If an eligibility issue associated with work search (or any other eligibility issue) is detected, there is a requirement to pay for a claimed week no later than the week after an issue is detected. The time it takes to work through the necessary due process steps prevents states from completing the determination process before the payment must be made.

There are strong public policy reasons for these program design and structural requirements. They promote the effectiveness of the critical UI safety net by getting benefit payments to eligible unemployed individuals for whom suitable work is not available during periods between jobs. Additionally, by providing temporary partial wage replacement to the unemployed, the program plays a vital role in maintaining purchasing power and in stabilizing the economy. The design and structural requirements also ensure basic due process is provided before stopping these benefit payments.

Because work search errors generally cannot be prevented before the payment must be made to the claimant in accordance with Federal law, it is not possible for states to proactively reduce the largest root cause of UI improper payments. Additionally, the definition of improper payments established in IPERA requires that the Department report those overpayments that result from these essential statutory requirements as part of its overall IP rate, rather than as a separate, supplemental measure. The most significant structural and program design impediments to reducing the IP rates are the statutory requirements to pay benefits when due and the due process requirements requiring notice and an opportunity to be heard before stopping benefit payments. These requirements are critical to the nature of the UI program and should not be "corrected." However, the Department continues to pursue strategies to ultimately help ensure proper payments and is pursuing the following actions.

> *Corrective Action:* Despite the difficulty states experience in preventing work search errors before they occur, the Department continues to take proactive steps to help states to attempt to address this root cause. In 2016, the Department published a Pathway to Reemployment Framework that contained a set of re-envisioned work search requirements that reflect the way individuals search for work in the 21st Century labor market and are acceptable to meet state eligibility requirements for UI.[1]
>
> > *Timetable:* On an ongoing basis, ETA encourages State Workforce Agencies (SWA) to consider the adoption of some of the re-envisioned work search activities contained in the Pathway to Reemployment Framework.
>
> *Corrective Action:* As part of the Pathway to Reemployment Framework, the Department released a "My Reemployment Plan" that was developed as an interactive job search guide that outlines proven steps to successful reemployment in a 21st century job market and may be used by job seekers directly or as a case management tool.[2] This tool is designed to support claimants' work search activities and their documentation for UI purposes. Currently, the Department is partnering with the Information Technology Support Center (ITSC) to automate the My Reemployment Plan as part of the suite of Workforce Connect tools available to states.[3]
>
> > *Timetable:* The automated version of the My Reemployment Plan is planned for completion during FY 2018.

Inability to Authenticate Eligibility: Benefit Year Earnings are payments to individuals who continue to claim benefits after they have returned to work.[4] In order to address this root cause, it is critical for states to identify as quickly as possible that a UI claimant has returned to work and to ensure that claimants understand their responsibility to report when they return to work. ETA has promoted state strategies to address this challenge. One

[1] https://rc.workforcegps.org/resources/2016/10/03/05/36/Pathway_to_Reemployment_Framework
[2] https://rc.workforcegps.org/resources/2016/10/03/05/28/My_Reemployment_Plan
[3] http://www.itsc.org/Pages/WF_Connect.aspx
[4] We note that the same structural issues discussed above, including due process protections and the requirement to pay "when due" apply here and can create IP, regardless of the compelling public policy reasons supporting these requirements. For example in this area, the cross-matches with data sources to identify possible benefit year earnings must be independently verified before action stopping payment can be taken and this delay can result in an IP.

of its principal strategies is the establishment of the UI Integrity Center of Excellence (Integrity Center). The Integrity Center was established to be a state-driven source of innovative program integrity strategies to prevent and detect IP and reduce fraud. The Integrity Center is being implemented through a cooperative agreement with New York, in partnership with the National Association of State Workforce Agencies (NASWA).[1]

Corrective Action: Increasing cross-matching with the State and National Directory of New Hires (NDNH), and the immediate notification of claimants that the state agency is aware they may have returned to work while still claiming benefits.[2]

Timetable: As of September 2017, a total of 52 SWAs are using the NDNH in their integrity operations.

Corrective Action: In August 2017, the Integrity Center published a “model” integrity operations blueprint for states highlighting integrity practices that should be part of state UI Modernization efforts, including state successful practices, return on investment information, and ‘how-tos’ in areas such as collections, fraud identification, cross matching, and identifying fictitious employers.

Timetable: The Integrity Center is updating the State Practices Database that contains the model blueprint and adding new state practices to assist states on an ongoing basis.

Corrective Action: In February 2017, the Integrity Center launched a UI National Training Academy that offers program integrity training for state agency staff via online modules and instructor-led courses leading to credentials. Training curricula includes tracks in fraud investigation, UI claims intake and processing, and program leadership.

Timetable: Additional training modules are being developed and will be added to the UI National Training Academy on an ongoing basis.

Corrective Action: In September 2017, the Integrity Center finalized a data analytics tool piloted in three states that may assist states with the prevention and detection of IP.

Timetable: In late 2017, the Integrity Center will make the data analytics product available to states as a tool they may choose to implement.

Corrective Action: In September 2017, the Integrity Center launched a Suspicious Actor Repository (SAR) in pilot states to share specific data elements associated with fraudulent UI claims for cross-matching purposes as part of its integrated UI Integrity Data Hub.

Timetable: In 2018, the Integrity Center will expand the SAR to additional states. The Integrity Center is also in the preliminary stages of developing the Integrity Data Hub to be integrated with the SAR and serve as a secure portal for states to cross-match with public and private sources of data to help prevent and detect IP. The goal is to integrate at least two data sets initially and add additional data sets over time, particularly ones that may not be readily available to all states today and that are likely to provide the most valuable information to states to prevent and detect IP and fraud.

Failure to Verify - Other Eligibility Data: Employment Service Registration errors result when UI claimants are not registered for services with the public workforce system and accessing public jobs bank as required in state law.

Corrective Action: These errors are often the result of information technology system errors that exit a UI claimant from their required registration with the state Employment Service or job bank after a set time period. As a corrective action, ETA provides customized technical assistance to states with the highest error rates for this cause.

[1] http://integrity.naswa.org/
[2] UIPL No. 19-11, Attachment A: http://wdr.doleta.gov/directives/attach/UIPL/UIPL19-11ATT.pdf

Timetable: On an ongoing basis, those states with high ES Registration root cause error rates submit specific corrective action plans to address this root cause and are monitored by ETA's regional offices. This strategy was implemented in 2011 and has resulted in a 71% reduction in the ES Registration error rate versus the 2011 baseline rate.

Administrative or Process Error Made by – State or Local Agency: ETA continues to work aggressively with states to identify strategies to improve program integrity and reduce IP resulting from state errors, including identifying model integrity operations, sharing promising practices, and developing and providing training to address these issues.

Corrective Action: ETA developed a State Self-Assessment tool to assist states in identifying and correcting operational issues impacting performance and integrity.

Timetable: In October 2017, States will begin using the State Self-Assessment Tool to conduct comprehensive self-assessments of key functional and program areas in their UI benefits operations.

Corrective Action: In July 2017, the Integrity Center launched a Digital Library for the exchange of promising state practices and program integrity information.

Timetable: The Integrity Center is updating the Digital Library and adding information to assist states on an ongoing basis.

Corrective Action: In August 2017, the Integrity Center published a "model" integrity operations blueprint for states highlighting integrity practices that should be part of state UI Modernization efforts, including state successful practices, return on investment information, and 'how-tos' in areas such as collections, fraud identification, cross matching, and identifying fictitious employers.

Timetable: The UI Integrity Center is updating the State Practices Database that contains the model blueprint and adding new state practices to assist states on an ongoing basis.

Corrective Action: In December 2016, the Integrity Center hosted its second UI program integrity symposium to promote promising strategies to all SWAs.

Timetable: The next UI program integrity symposium is planned for the spring of 2018.

Corrective Action: In February 2017, the Integrity Center launched a UI National Training Academy that offers program integrity training for state agency staff via online modules and instructor-led courses leading to credentials. Training curricula includes tracks in fraud investigation, UI claims intake and processing, and program leadership.

Timetable: Additional training modules are being developed and will be added to the UI National Training Academy on an ongoing basis.

Corrective Action: The Integrity Center is implementing new program integrity services to provide business process analysis directly to individual states. Integrity Center subject matter experts will directly assist states in-person, or virtually, to identify UI integrity issues, provide recommendations, and evaluate the effectiveness of state operations and practices on an ongoing basis.

Timetable: The Integrity Center is in the preliminary stages of building this capacity.

Insufficient Documentation to Determine: Separation errors result from the failure of employers, or their third party administrators, to provide timely and adequate information on the reason for an individual's separation from employment, which can impact the claimant's eligibility.

Corrective Action: The State Information Data Exchange System (SIDES) was developed to enable the electronic communication of separation and other UI information between employers and SWAs, in order to improve the timeliness and accuracy of information from employers on the reason for a UI applicant's separation at the point of eligibility determinations.

Timetable: UI is working with the NASWA SIDES team to develop new SIDES marketing materials aimed at increasing states and employers' usage of SIDES. The NASWA SIDES team is compiling and publishing best practices for employer engagement, a refreshed SIDES marketing toolkit, and promotional items. These materials will be released in FY 2018. Additional outreach to the employer community is ongoing and a SIDES training conference is planned for April 2018.

The following **UI Program Percent of Total Dollars Overpaid by Cause** supplementary table describes root causes determined by the UI Program and percent of total overpayments attributable to each cause. The causes, described at https://oui.doleta.gov/unemploy/pdf/Overpayment_CauseDefinitions.pdf, more appropriately correlate to the IP in the UI program.

UI Program Percent (%) of Total Dollars Overpaid by Cause			
% of Total Dollars Overpaid by Cause	**% of Overpayments (2017 IPIA Rate)**	**% of Overpayments (2016 IPIA Rate)**	**Relative Change**
Work Search: (Failure to actively seek employment)	37.38%	37.92%	(0.54)%
Benefit Year Earnings (Continuing to claim benefits after returning to work)	26.41%	30.26%	(3.85)%
Separation (Ineligible due to voluntarily quitting or discharge for cause)	17.22%	12.58%	4.64%
Able and Available (Ineligible due to not being able to work or available for work)	5.54%	6.71%	(1.17)%
Employer Service Registration (Failing to register for referral to work or reemployment services)	2.15%	2.31%	(0.16)%
Other Eligibility Issues (Refusal of work, self-employment, failure to report for agency review or report requested information, citizenship status, and claiming benefits using a false identity)	3.49%	2.98%	0.51%
Base Period Wages (Error in calculating claimant's benefit based on wages earned prior to period of unemployment)	3.16%	2.94%	0.22%
All Other Issues (Adjustments to dependents' allowance, adjustments to benefits due to claimant receipt of income from severance pay, vacation pay, Social Security, or employer pension, back pay awards, payment during a period of disqualification, or agency redetermination of eligibility)	4.66%	4.31%	0.35%

FECA Program:

The **FECA Program Improper Payment Root Cause Categories** table overlaps between the root causes and responsibilities for the payment errors which make it difficult to describe corrective actions and actions taken for each IP root cause category separately. The discussion below attempts to clarify for the reader the description of IP root causes, and actions planned or taken to address root causes.

FECA Program Improper Payment Root Cause Categories ($ in millions)			
OMB Root Cause		Overpayments	Underpayments
Program Design or Structural Issue			
Inability to Authenticate Eligibility		$9.50	$0.24
Failure to Verify	Excluded Party		
	Death Data	$2.37	
	Financial Data		
	Prisoner Data		
	Other Eligibility Data		
Administrative or Process Error Made by:	Federal Agency	$10.08	$5.57
	State or Local Agency		
	Other Party	$0.10	$18.98
Medical Necessity			
Insufficient Documentation to Determine			
Other: [1]		$10.34	
Total [2]		**$32.40**	**$24.79**

Notes: [1] Reflects fraud restitution orders as described in **Section VII: Sampling & Estimation**, below.
[2] Rounding error may account for imprecise totals.

Inability to Authenticate Eligibility: This category of errors reflects issues in the prompt and accurate annual authentication of continued eligibility. In order to receive ongoing compensation payments for disability, cases on the periodic roll must contain documentation to ensure continuing entitlement is substantiated in the file. The majority of errors in this category were considered overpayments and were attributed to a lack of medical documentation that would be necessary to support ongoing eligibility. Examples include the failure to develop medical evidence after the weight of medical evidence suggested that the claimant was capable of performing full duties or that the accepted work related medical condition had resolved. A small subset of errors in this category were attributed to a failure to adjust payments even though the claimant alerted the program of the changes in eligibility, such as with dual benefits or dependency status.

> Corrective Action: Enhance existing controls to ensure current medical evidence is received for cases on the periodic roll and develop a database query that cross-matches active periodic roll cases with outdated medical documentation to help ensure compliance with medical entitlement verification policies. The FECA program has an established process in place to actively monitor all long–term periodic roll cases to ensure that compensation payments are supported by medical evidence via an automated medical request system. The medical request is automatically issued with the annual verification questionnaire; however, not all offices have consistently used this automatic functionality and instead have chosen to send manual requests. The automatic request at the time the CA-1032 is issued will now be required for all offices. The database query will be developed as an additional tool to identify cases with a lack of medical documentation.

Timetable: Implemented; FY 2017, a database query was developed to identify total disability cases where there was no current medical report in the file, and a request for updated medical documentation was issued. Implemented; FY 2017, the annual request for medical documentation for cases on the periodic roll for total disability was automated for all offices. Ongoing; FY 2018, refine the use automated database queries to potentially include all long-term periodic roll cases including those in partial disability and permanent disability status and consider development of additional database queries to monitor potential changes in status, e.g. dependent status or dual benefits.

Failure to Verify: The single error identified in this category was attributed to a failure to stop a payment after death which caused an overpayment.

Corrective Action: A single payment error was found in this category totaling less than $2,000. However, statistical sampling methodology extrapolates that in the entire universe of payments this could equal up to $2.37 million reported in the **FECA Program Improper Payment Root Cause Categories** table above. The error rate methodology provided a median value using a 90% confidence interval with a precision of 2.5%. The error was not a result of a data match oversight, but rather delays in notification.

Timetable: Ongoing; FY 2018, continue to effectively conduct regular pre-payment matches using the SSA Death Master File (DMF).

Administrative or Process Error Made by: This category reflects various errors in calculating compensation and medical benefits.

With regard to compensation payments, the largest category of discrepancies identified involved various components associated with the calculation of the payrate. Specifically, the majority (approximately 70%) of IP resulted from the issuance of compensation payments which were based on incorrect or unverified base pay rates, the inaccurate calculation of premium pay or the use of the wrong effective date for the payrate. The next highest cause for error was the improper deduction of life insurance premiums, despite having sufficient file documentation. There were no real trends with the remaining errors; they encompassed issues such as an incorrect period, compensation rate and health benefits deductions. About 66% of IP dollars for compensation payments resulted in overpayments, while 34% were underpayments.

The "Other Party" category reflects medical-billing errors that did not meet coverage, coding and reimbursement billing requirements. In FY 2017, OWCP's contractor processed and paid medical bills for the FECA program. Only 4 errors were identified; these errors were due to delays in file transmission and policy updates. Nearly all IP dollars for medical payments were underpayments.

Corrective Action: Errors cited for discrepancies with life insurance deductions were attributed to lack of staff understanding of the life insurance entitlement process and to communication issues between the FECA program and the Office of Personnel Management (OPM). In the latter half of FY 2017, the FECA program initiated several actions to reduce IP attributable to life insurance, to include the following: working closely with OPM to share and cross-walk insurance eligibility; updating outgoing correspondence to injured workers regarding life insurance entitlement; creating a new tracking mechanism for life insurance adjustments (to be implemented in October, 2018); providing mandatory life insurance training sessions, in-person and remote, for each district office (to be completed by October 2018); and updating the employing agency training module segments pertaining to life insurance.

To address the issues identified with payrate calculations, the FECA program will undertake a new in-depth assessment of initial payments, by individual district office, each month during FY 2018. While the FECA Program has historically reviewed initial payments and provided training to all offices, this review will focus on an individual office one at a time and then training will be tailored to that specific office's needs. This review method will better identify individual training needs, and will help the program identify issues by specific office that may be contributing to IP, rather than just identifying program-wide trends.

The “Other Party” category reflects medical-billing errors that did not meet coverage, coding and reimbursement requirements. Only 4 errors were identified, and the FECA improper payment rate for medical-billing administrative or process errors was 1.35%. This represents a 3.68% decrease from last year’s IP audit. In FY 2017, the FECA program continued its emphasis on the billing of compound medication and initiated processes to implement policies pertaining to opioids. As a result of these initiatives, a more in-depth review of the entire bill payment process was undertaken and this will continue in FY 2018 as the FECA program actively works with its contractor to identify and implement additional procedures to prevent and detect IP processing errors. Also, District Office Trouble Shooter (DOTS) conduct monthly audits and are responsible for identifying overpayments and underpayments attributed to bill payment processing errors. The FECA program intends to work with the DOTS in FY 2018 to promote consistency of the reviews to better identify opportunities for improvement.

Timetable: Implemented; FY 2017, OPM cross-walk life insurance eligibility data. Implemented; FY 2017, updated outgoing correspondence to injured workers regarding life insurance entitlement. Implemented; FY 2017, updated the employing agency training module segments pertaining to life insurance. Complete; FY 2018, nation-wide life insurance training. Complete; FY 2018, new tracking mechanism for life insurance adjustments. Ongoing; FY 2018, conduct in-depth assessment of initial payments, by individual district office, each month during the fiscal year. Through program audits, identify individual training needs, ensure diverse sampling, and address error trends that may be contributing to a high volume of IP. Continue to work with bill pay contractor to identify and implement **controls to prevent bill pay processing errors.**

Other: The “Other” error category reflects OIG fraud restitution issues.

Corrective Action: The Department is committed to the detection and prevention of fraud in the FECA program and has taken significant steps in FY 2017 to enhance early detection of potential fraud. The Program Integrity Unit (PIU) began using structured data analytics methods to review spending patterns on a quarterly basis so that it can spot trends early and react more quickly to anomalous spending patterns. With regard to medical outlays, DFEC primarily uses a “year to year” comparison methodology, which projects spending for the current chargeback year based on actual year-to-date spending, and compares that number to the prior chargeback year. Using this methodology, DFEC targets specific providers for review based on a combination of total dollars paid in conjunction with the percentage increase in the outlays year over year; new providers with no payments in the prior year but rapidly escalating payments in the current year are also specifically targeted. If DFEC finds evidence of behavior that could be construed as deceptive, misleading, or unfair, a referral is sent to DOL OIG for further review. Additionally, in FY 2017, OWCP held an Anti-Fraud Conference designed to enhance collaboration with DFEC and agency OIGs and to introduce new fraud detection technology and protocols.

FECA continues to implement effective practices to identify and address compensation and provider fraud. These practices include instituting periodic claims reviews; allowing agencies access to its data systems that contain compensation and medical-billing payment information; dedicating full-time staff to investigating potential fraud cases and processing any resulting IP due to the government.

Timetable: Implemented; FY 2017, the FECA program’s PIU was realigned with a focus on fraud prevention and detection. Implemented; FY 2017, dedicated full-time staff to investigating potential fraud cases and processing any resulting IP due to the government. Implemented; FY 2017, new protocols for submitting provider and claimant referrals to DFEC. Implemented; FY 2017, developed a risk assessment data analytics platform. Completed; FY 2017, medical billing coding specialist conducted comprehensive medical bill processing training at the DFEC Anti-Fraud Conference. Ongoing; FY 2017, structured fraud detection and referral methods through the PIU.

II. RECAPTURE OF IMPROPER PAYMENTS REPORTING

As described throughout this **Payment Integrity** section of this AFR, DOL programs implement cost-effective controls to prevent, detect, and recover all IP. IPERA Section 2(h), requires agencies to conduct payment recapture audits (also known as recovery audits) for each program and activity that expends $1 million or more annually if conducting such audits would be cost-effective. DOL has taken extensive measures to ensure that managers, accountable officers (including agency heads), programs, and states and localities are held accountable for reducing and recapturing IPs. These measures are designed to hold the appropriate personnel accountable for meeting applicable IP reduction targets and establishing and maintaining sufficient internal controls to effectively manage IP risk and promptly detect and recapture any IPs that are made.

As part of the DOL's regular cycle of Department-wide Triennial IPERA Reviews, IP risk assessments and cost-benefit analyses were conducted for all programs in FY 2016 and 2017. FY 2016 reviews were conducted for newly authorized WIOA programs as reported in DOL's FY 2016 AFR. FY 2017 reviews were conducted for all appropriate identified programs based on the Department's 2013 Program Inventory, as described above.

Department-wide cost-benefit analyses considered qualitative and quantitative factors. Many factors were considered in these assessments, including criteria described in OMB Circular A-123, Appendix C, Part I.D(5):

1. The likelihood that identified overpayments will be recaptured.
2. The likelihood that the expected recoveries will be greater than the costs incurred to identify and recover the overpayments.

The UI program already conducts a formal recapture audit program. OIG was not responsive to any communication regarding the Department-wide Triennial IPERA Reviews. While many programs noted that that overpayments are recaptured through fraud restitution orders, debt collection processes, post-award reviews, and other standard internal control processes, no other identified program determined a formal recapture audit program, as described in OMB Circular A-123, Appendix C, Part I.D, would be cost-effective.

Formal Recapture Audit Program Cost-Benefit Analyses Results		
Agency	**Program**	**Result**
ETA	UI	Already conducts a formal recapture audit program.
ETA	Job Corps	Not Cost-Effective
ETA	Community Service Employment for Older Americans	Not Cost-Effective
ETA	Employment Service	Not Cost-Effective
ETA	Foreign Labor Certification	Not Cost-Effective
ETA	Workforce Information	Not Cost-Effective
ETA	Apprenticeship	Not Cost-Effective
ETA	ETA management and other	Not Cost-Effective
EBSA	EBSA	Not Cost-Effective
OWCP	FECA	Not Cost-Effective
OWCP	Longshore and Harbor Workers Compensation	Not Cost-Effective
OWCP	Energy Employees Occupational Illness Compensation	Not Cost-Effective
OWCP	Coal Mine Workers' Compensation	Not Cost-Effective
OLMS	OLMS	Not Cost-Effective
WHD	WHD	Not Cost-Effective
OFCCP	OFCCP	Not Cost-Effective
OSHA	OSHA	Not Cost-Effective
MSHA	MSHA	Not Cost-Effective
BLS	Labor Force Statistics	Not Cost-Effective
BLS	Prices and Cost of Living	Not Cost-Effective
BLS	Compensation and Working Conditions	Not Cost-Effective

Formal Recapture Audit Program Cost-Benefit Analyses Results		
Agency	**Program**	**Result**
BLS	Productivity and Technology	Not Cost-Effective
BLS	Executive Direction and Staff Services	Not Cost-Effective
ILAB	ILAB	Not Cost-Effective
WB	WB	Not Cost-Effective
ODEP	ODEP	Not Cost-Effective
VETS	Jobs for Veterans State Grants	Not Cost-Effective
VETS	Transition Assistance Program Employment Workshop	Not Cost-Effective
VETS	Homeless Veterans' Reintegration Program	Not Cost-Effective
VETS	Federal Administration & USERRA Enforcement	Not Cost-Effective
DM	Departmental Management and other	Not Cost-Effective
OIG	OIG	Not responsive.
NOTES: For the purposes of IPERA reporting, "Departmental Management and other" includes all OCFO-controlled finance operations, including payroll, contract procurement, property management, rent, and fleet.		

UI Program:

The UI program was deemed cost effective for payment recapture audits. Performing UI payment recapture activities and providing states with tools to aid recovery are top priorities at DOL. DOL's recapture activities have focused on areas that offer the greatest opportunity for improvement.

With oversight from the Department, states are responsible for the recovery of UI overpayments. Each state's Benefit Payment Control (BPC) unit is responsible for promoting and maintaining UI program integrity through prevention, detection, investigation, establishment, and recovery of IP. BPC operations identify UI overpayments for recovery through such methods as cross-matching claimant Social Security Numbers with State and National Directories of New Hires, wage record files submitted each quarter by employers, matches with other databases such as Workers Compensation and State Corrections, and other sources such as appeal reversals and tips and leads. States collect overpaid claims through offsets of UI benefits, Federal income tax refunds under the Treasury Offset Program (TOP), state income tax offsets, and direct cash reimbursement from the claimant. From FY 2008 through FY 2017, approximately $11.05 billion was recovered for the UI program (including the State UI, UCFE, UCX, EB, and EUC programs).

In February 2011, Treasury enacted a regulation to permit states to offset UI overpayments through TOP. Additionally, on December 26, 2013, the President signed into law the Bipartisan Budget Act. This Act amended section 303 of the SSA to require states, as a condition for receipt of grants to administer their UI programs, to use the TOP to recover covered UI debt that remains uncollected as of one year after the debt was finally determined to be due and collected. As of October 3, 2017, 49 state agencies have implemented TOP. An estimated $345.5 million was recovered through TOP in FY 2017. The total recovered through TOP since inception is $2.162 billion.

The states must hold the claimants liable to repay benefits that were received improperly and take an active role to recover IP (payment recapture audits). States may waive repayments for non-fraud overpayments when it would be against equity and good conscience pursuant to their state's law. Some of the recovery activities and tools used by states include:

- Offsets from benefits;
- Offsets from state and Federal income tax refunds;
- Offsets from lottery winnings, homestead exemptions, and other benefits,
    - includes the Alaska Mineral Refund;
- Interstate recovery agreements;
- Repayment plans;
- Civil Actions, including wage garnishments and property liens;
- Skip tracing, collection agencies, and credit bureaus;

- Probate and bankruptcy;
- Referral to OIG and other law enforcement agencies;
- State and Federal prosecution; and
- Establishment of interest and penalties on overpayments, which adds an incentive to repay quickly.

Recovered overpayments for state UI claims are returned to the UI account from which the benefits were originally paid.

The tables below provides a summary of UI overpayments established and recovered as a result of the activities described above.

Overpayments Recaptured through UI Payment Recapture Audits ($ in millions)

	Benefits					Total	
	Amount Identified	Amount Recaptured	FY 2017 Recapture %	FY 2018 Recapture % (Target)	FY 2019 Recapture % (Target)	Amount Identified	Amount Recaptured
UI	$913.49	$773.44	84.67%	71.00%	71.00%	$913.49	$773.44
Total	$913.49	$773.44	84.67%	71.00%	71.00%	$913.49	$773.44

Notes: UI payments are reviewed by each state, not by the DOL, in accordance with the provisions of the Single Audit Act and state UI law. Each state follows review procedures, such as matching paid claims against the NDNH and other databases to detect benefits which are improperly paid and use a variety of tools to recover benefits overpaid, such as leveraging the U.S. Treasury Offset Program. Overpayments detected and recovered are reported to DOL on the Quarterly Overpayment Report, ETA 227.
Includes total overpayments reported as outstanding on the ETA 227 and EUC 227 reports (line 313) as of the report date.
Excludes amounts waived for recovery.
Amounts based on data for the period July 1, 2016 through June 30, 2017, the most recent period for which data are available. Data have been estimated for states with missing ETA 227 and EUC 227 reports.
Massachusetts and New Jersey did not submit their ETA 227 reports during the 2017 reporting period. These states' data are not included in the cells above.

Disposition of Amounts Recaptured Through UI Payment Recapture Audits ($ in millions)

Program or Activity	Amount Recovered	Type of Payment	Original Purpose
UI	$773.44	UI Benefits	$773.44

Note: Federal law requires all recaptured UI benefits to be used for their original purpose.

Aging of Outstanding Overpayments Identified in UI Payment Recapture Audits ($ in millions)

Program or Activity	Type of Payment	Amount Outstanding (0 – 6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)	Amount Determined to Not be Collectible [1]
Dollars	UI Benefits	$457.30	$361.28	$1,174.01	$942.66
% of Overpayments		22.95%	18.13%	58.92%	47.31%

Notes: Includes that portion of overpayments reported as outstanding on the ETA 227 and EUC 227 Reports (line 313) that were 360 days old or less as of the report date. Overpayment aging data are not available for EUC overpayments and have been imputed from UI, UCFE, UCX, and EB overpayment aging data. See explanation in narrative below.
[1] Includes overpayments written off (ETA 227 and EUC 227 Reports, line 309) and receivables removed after two years unless recovery is in progress (ETA 227 and EUC 227 Reports, line 312).

UI Overpayments Established and Recovered by Fiscal Year (Excluding Waivers) ($ in millions)						
Fiscal Year	Overpayments Established UI/UCFE/UCX/EB	Overpayments Recovered UI/UCFE/UCX/EB	Recovered %	Overpayments Established UI/UCFE/UCX/EB + EUC	Overpayments Recovered UI/UCFE/UCX/EB + EUC	Recovered %
2009	$1,456.40	$850.99	58.43%	$1,735.25	$914.27	52.69%
2010	$1,906.31	$966.02	50.67%	$2,834.45	$1,179.89	41.63%
2011	$1,887.18	$997.97	52.88%	$2,995.96	$1,299.43	43.37%
2012	$1,740.18	$1,015.21	58.34%	$3,021.50	$1,400.16	46.34%
2013	$1,577.54	$1,075.82	68.20%	$2,456.13	$1,512.61	61.59%
2014	$1,496.20	$983.35	65.72%	$1,984.97	$1,297.26	65.35%
2015	$1,324.41	$933.47	70.48%	$1,522.94	$1,142.17	75.00%
2016 [1]	$1,078.92	$840.41	77.89%	$1,140.03	$959.51	84.17%
2017 [2]	$898.14	$691.39	76.98%	$913.49	$773.44	84.67%

Notes: [1] FY 2016 overpayments established and recovered data have been revised from FY 2016 AFR. Data in the FY 2016 AFR were based on State agency reporting on the ETA 227 and ETA 227 EUC reports for the July 1, 2015 to June 30, 2016, which were the most recent data available for the 2016 AFR at the time of publication. The revised data are based on State agency reporting for the October 1, 2015 to September 30, 2016 period.
[2] Amounts based on data for the period July 1, 2016 through June 30, 2017, the most recent period for which data are available. Massachusetts and New Jersey submitted no ETA 227 reports during the 2017 reporting period. These states are excluded from the totals.

The states are required to report quarterly on overpayment detection and recovery activities on the ETA 227 Report. The amounts established and recovered are based on reports submitted during the indicated fiscal year. However, the actual payment of benefits may have occurred in a prior fiscal year.

The information reported on the ETA 227 Report is based on actual amounts of UI overpayments identified and recovered by the state agencies. In contrast, the UI overpayment rates and amounts that are reported for the IPIA are estimates, based on the results of BAM. BAM is a statistical survey of paid and denied UI claims. The results of the BAM audits are projected to the population of benefit payments for all unemployment compensation programs: State UI, UCFE, UCX, EB, and EUC. These BAM estimates may be significantly higher than actual overpayments identified for recovery because:

1. BAM audits detect eligibility issues that usual BPC detection methods will not identify, because it is very workload intensive and/or not cost effective to detect; or
2. The overpayment is not recoverable because the responsibility for the IP is the agency's action and/or the employer's action, rather than the claimant's action, or due to state finality rules.

Figures for "Overpayment Established" have been adjusted to subtract waivers, which are overpayments that the state agency has determined are not recoverable. The Unemployment Insurance Report Handbook (ET Handbook 401, 4th edition, Section IV, Chapter 3, p. 10) defines a waiver as "a non-fraud overpayment for which the state agency, in accordance with state law, officially relinquishes the obligation of the claimant to repay. Usually, this is authorized when the overpayment was not the fault of the claimant and requiring repayment would be against equity and good conscience or would otherwise defeat the purpose of the UI law."

All state laws provide for recovery of benefit overpayments. States must follow their individual state laws and policies in executing such recovery efforts. The expense of recovery efforts can vary greatly by state depending on the actions that are pursued. Also, the capacity of the state to pursue such actions is a factor that influences the level of recovery. DOL believes that the payment recapture audits used by states is consistent with the criteria established by OMB for evaluating the cost effectiveness of a payment recapture program in OMB Circular A-123, Appendix C, Part I.D, Section 5, p.31.

The ETA 227 Report captures data on the causes of overpayments, the method of detection, recovery and reconciliation, criminal and civil actions, and the aging of benefit accounts. After eight quarters, the overpayments are removed from the total outstanding balance on this report. This does not affect the state's accounting practices. When overpayments are recovered that have been removed from the reported outstanding balance, the amount will be added back to report the recovery in the quarterly report, regardless of when the overpayment originally occurred. States are now able to attempt recovery of these older unemployment compensation debts through TOP by offsetting the claimant's Federal income tax returns. When IP are recovered, they are returned to the UI trust fund account from which they were paid.

As noted in the **Aging of Outstanding Overpayments Identified in the Payment Recapture Audits** table above, overpayment aging data are not available for EUC overpayments and have been imputed from UI, UCFE, UCX, and EB overpayment aging data by assuming that the age distribution of the outstanding EUC overpayments is the same as the UI, UCFE, UCX, and EB overpayments.

III. Agency Improvement of Payment Accuracy with the Do Not Pay Initiative

Do Not Pay (DNP) Initiative is a government-wide initiative to screen payment recipients before a grant, contract award or payment is made. DOL has implemented the screening of payments through the Treasury DNP Portal and, as appropriate, screens payments against databases directly.

Results of the DNP Initiative in Preventing Improper Payments ($ in millions)

	Number (#) of payments reviewed for possible IP	Dollars ($) of payments reviewed for possible IP	Number (#) of payments stopped	Dollars ($) of payments stopped	Number (#) of potential IP reviewed & determined proper	Dollars ($) of potential IP reviewed & determined proper
Reviews with the IPERIA specified databases [1]	2,077,529	$6,586.10	0	$0	697	$0.56

Notes: [1] Indicates payments reviewed by the DNP Portal.

Overview of DNP: IPERIA and OMB directives require agencies to integrate the use of existing databases (collectively known as the "Do Not Pay List") to verify eligibility for Federal payments in order to reduce and eliminate payment errors before they occur. The DNP Business Center provides Federal agencies with a web-based single-entry access DNP Portal to these existing databases and payment data analytics services.

DNP Portal Payment Reviews: Since FY 2015, the DNP Portal has been comparing the Department's PAM file against the SAM and DMF databases. The PAM file includes automated payments made by the Department. When a payment matches, the payment information is returned to OCFO for adjudication. OCFO reviews matches against business rules to cull false-positives. Matches which cannot be culled per business rules are reviewed by subject matter experts in the appropriate component agency to determine if the match represents a true positive IP. Since its inception, none of the matches returned by the DNP Portal have been found to be IP.

In late FY 2017, OCFO began a payment data analytics review of Treasury disbursed DOL payments made in FY 2015-16. OCFO is reviewing these results and developing comprehensive risk management and payment integrity plans to target areas of potential concern.

DOL Program Reviews of DNP List and non-DNP List Specified Databases: DOL maintains comprehensive, cost effective internal controls to ensure the payment integrity of all programs. Among these controls, DOL programs review private and government-owned databases directly, as appropriate for their business needs. Procurement and grants programs include internal controls requiring review of all vendors against the SAM database. OWCP benefit programs conduct batch matching against the DMF. These reviews are designed to prevent IP and vary significantly by specific programmatic need. Many state programs review UI beneficiaries against a variety of databases, (e.g. the National and/or State Directory of New Hires, etc.) independently. Prior to passage of the Federal Improper Payments Coordination Act (FIPCA) on December 18, 2015, states were prohibited by law from participating in the DNP Initiative. However many state programs review UI beneficiaries against versions of the DMF independently. In addition, many states have begun reviewing a variety of applicable information sources and expanded analytics capabilities in conjunction with the UI Integrity Center of Excellence's secure data hub, as discussed in **Section I: Payment Reporting**, above. These reviews are designed to prevent IP and vary significantly by specific programmatic need.

IV. BARRIERS

UI Program:

The UI program complies with several statutory provisions establishing requirements that impose challenges to reducing IP.

Federal-State Partnership: Each state administers the UI program according to its own laws and policies, which must conform to broad federal requirements. IP rates often reflect differences in state law. For example, states with strict active work search requirements will have perennially higher overpayment rates than those states with minimal active work search requirements. It is extremely resource intensive for states to verify and enforce claimant work search contacts with employers given the more pervasive role employment search engines, large employment application databases, and online social networks play in the modern job search process.

Additionally, States have bottom-line authority to set operational priorities. The Department has limited authority to ensure states use their funding to pursue IP reduction activities.

Delays in receiving separation information: As discussed in **Section I: Payment Reporting – Root Causes: UI** above, Section 303(a)(1) of the Social Security Act requires payment "when due", prohibiting states from suspending UI benefit payments until an official determination has been made that payments are no longer due. There are strong policy reasons for ensuring prompt payment of benefits when due - UI is a critical safety net program providing individuals funds to pay for necessities while searching for the next job, and UI funds circulating in the economy during times of increased unemployment has a stabilizing impact on the economy. In compliance with the "when due" provisions of the law, states make the determination of whether or not to pay benefits based on the best available information. A major challenge to addressing IP is created when claimants, employers, and third party administrators working for employers fail to report information timely and/or accurately.

State Resource Priorities and Capacity: In recent years state staffing resources have been negatively impacted in two ways. First, administrative funding for states' UI program operations is based on projected workloads and, most importantly, weeks claimed. The decline in workload has resulted in a reduction of administration funding creating a challenge for states to adequately staff their UI program operations. This lack of capacity significantly impacts states' ability to manage program integrity operations that are staff intensive, such as being able to independently validate cross-match hits and conduct random work search audits.

Second, state agencies' employees who leave through normal attrition or retirements are often replaced by less experienced staff. Pressures on state budgets have reduced training, further contributing to the decrease in skilled staff who can accurately administer the relatively complex UI program.

Work Search as a Root Cause: Developing strategies to address work search errors, which is one of the largest root cause of UI improper payments nationally, is very challenging. State eligibility requirements with respect to active work search vary significantly among states. Additionally, a 2016 review of structural issues in the UI program by independent UI subject matter experts, statisticians, and economists found that it is not feasible for states to prevent work search IP; they can only detect and recover them. The most effective strategy is random work search audits, which is workload and resource intensive and states have not been specifically required or funded to do random work search audits. As discussed in further detail in the **Root Causes, UI Program, Structural Issues** section above, work search IP are increasing and driving up the overall UI improper payment rate.

Information Technology (IT) Capacity: State IT capacity has been strained by the decline in program administration funding provided to states to effectively operate the UI program. States have reported a lack of adequate IT resources available for integrity functions. Additionally, many state systems are several decades old and cannot be easily adapted to new IP detection methods, such as generating follow-up communications with claimants and employers to verify new hire matches.

FECA Program:

The FECA program faces several barriers that limit the agency's corrective actions in reducing IP.

Inability to Authenticate Eligibility: This category of errors reflects issues in the prompt and accurate annual authentication of continued eligibility. Statutory and regulatory barriers limit the program's ability to stop or adjust payments based on a medical review. Once a claim is accepted and periodic roll payments are initiated, the program is prohibited from terminating periodic compensation payments without a positive demonstration by the weight of evidence that entitlement to benefits has ceased and until due process has been afforded. This can result in payments being reported as improper even though they do not represent a loss to the government because the claimant continues to have a statutory right to that payment. Additionally, the FECA program does not have authority to directly access wage data or dual benefit eligibility data that is housed by other Federal agencies. Instead, to identify potential IP the program relies heavily on self-reporting of earnings and other entitlement criteria via annual benefit entitlement questionnaires.

Failure to Verify: FECA conducts regular pre-payment matches using the SSA Death Master File (DMF) process, however, barriers caused by reporting delays by family members or other parties hinder the timely termination of an IP.

Administrative or Process Errors: The largest category of discrepancies identified involved various elements of payments. The identified IP in this category highlight the ongoing difficulty that the FECA program has with its payment process, namely reliance on reporting by other Federal agencies in addition to the statutory, regulatory and procedural complexities inherent in the calculation of payments. In many instances the information supplied by the employing agency is incomplete or inaccurate, thereby increasing the risk of IP. Additionally, the operational program goal to process a large number of payments within 14 days from receipt of claim, coupled with strained resources that are required to resolve discrepancies add to the increased risk of IP. No automated mechanism exists to determine or validate the accuracy of the information reported by the employing agency. As with many programs, the FECA program faces data-sharing barriers. The "Other Party" category reflects medical-billing errors that did not meet coverage, coding and reimbursement billing requirements. DFEC faces the ongoing challenge of efficiently providing automated medical authorization and bill payment services within program guidelines, but the FECA medical IP rate of 1.35% in FY 2017 was a significant decrease from the 5.03% error rate from last year's IP audit.

Fraud Restitution: The "Other" error category reflects OIG fraud restitution issues. The extent of fraudulent payments is based on actual restitution ordered and therefore did not reflect an estimate of undetected fraud. The Department's methodology for estimating IP in the FECA program may be found at:

http://www.dol.gov/ocfo/media/reports/20141104IPMETHODOLOGY.pdf

Barriers to Implementation of OIG Recommendations: The OIG continues to raise concerns with the validity of the Department's published IP estimate for the FECA program.

The FECA program excludes initial payments made in the first 90 days of the compensation claim from its universe and compensation payments made on non-imaged claims initiated prior to November 2000. The reliance on information that can only be authenticated by the employing agency make any compensation payment susceptible to IP, especially those payments made early in the life of the claim. DFEC also believes that that pursuing information on non-imaged cases initiated prior to November 2000 would not be cost effective or prudent since these paper files are disbursed across 12 district offices, and the files would have to be shipped to a central location for review, incurring both cost and risk if the files were lost. As noted in the Department's response to the OIG's report, this methodology was approved by OMB and consistent with the Office of Personnel Management's (OPM) estimation methodology. OWCP believes that including these marginal population segments would not create a statistically significant difference in its estimation, nor would it be cost effective. However, the Department is reevaluating the FECA IP Estimation Methodology with regard to the practice of excluding these subsets of cases, and the FECA program is currently conducting detailed analysis to determine the full effect of those exclusions on its estimate.

V. ACCOUNTABILITY

The Department has taken extensive measures to ensure that managers, accountable officers (including agency heads), programs, and states and localities are held accountable for reducing and recapturing IPs. These measures are designed to hold the appropriate personnel accountable for meeting applicable IP reduction targets and establishing and maintaining sufficient internal controls to effectively manage IP risk and promptly detect and recapture any IPs that are made. They vary by program and are described in detail in the program-specific narratives below.

UI Program:

DOL's Employment and Training Administration (ETA) is responsible for Federal oversight of state UI programs, including oversight of state activities to reduce and recover improper UI benefit payments. ETA has taken and continues to take the steps discussed below to hold Federal managers accountable for reduction and recovery of improper UI payments by states. SWAs administer the UI program and set operational priorities within the resources available. ETA has established a robust set of performance measures used to evaluate the states' overall operational performance. States not meeting the criteria set for these measures are expected to submit corrective action plans as part of their annual State Quality Service Plan submission.

In response to the level of IP in the UI program, ETA developed and implemented an aggressive and ever evolving Strategic Plan to address several root causes of IP which were described in detail **Section I: Payment Reporting – Root Causes: UI**, above. ETA continues to focus on the following integrity related activities and ensures the annual performance standards for managers include the completion of significant milestones for the projects listed below.

- As part of their SQSP, states are required to prepare an Integrity Action Plan. The plan must identify the state officer(s) accountable for reducing IP, summarize the state's assessment of whether it has the internal controls, human capital, and information systems and other infrastructure needed to reduce IP to minimal cost-effective levels, and identify any statutory or regulatory barriers which may limit the agency's corrective actions in reducing IP. Additionally, the plan must discuss the root causes of IP and present the state's strategies to address these causes.
- The UI Integrity Center uses funding provided by ETA to conduct evaluations of promising program integrity practices. For example, the Integrity Center studied the results of seven Integrity Center-funded pilot projects to implement innovative strategies that prevent and detect IP. The results of these evaluations are provided to all states through the UI Integrity Center's Digital Library.
- ETA requires states to operate the BAM survey to measure and report the percentage, dollar amount, and reasons for IP. Data are derived from investigations of a statistically valid sample of payments using federally prescribed procedures. ETA reviews this data for validity, analyzes the data for each state, and makes the data available publicly on ETA's Office of Unemployment Insurance (OUI) website. Data review, analysis and publication are included in the performance plan of the Administrator of ETA's OUI and in the elements and standards of numerous staff in the office.
- ETA has implemented a core performance measure for detection of overpayments by state UI programs. States that fail to meet the performance criterion submit corrective action plans. Analysis of state performance and monitoring of states' corrective actions continue to be evaluation factors in OUI managers' performance plans.
- ETA has developed additional performance measures that require states to:

- Meet the less than 10% IP rate criterion included in IPERA; and
- Meet a minimum UI overpayment recovery rate target.

- ETA has promoted and continues to promote cost effective methods for states to prevent, detect, and recover improper UI benefit payments. Development, delivery, and/or successful implementation of these initiatives by states have been and continue to be factors on which the OUI administrator and managers are evaluated. These initiatives were described earlier in this document in **Section I: Payment Reporting – Root Causes: UI**, above.

As discussed in **Section I: Payment Reporting – Root Causes: UI** above, as part of its monitoring and oversight responsibilities of each state's UI operations, DOL takes an active role in facilitating and promoting strategies to reduce IP and meet the payment accuracy and recovery targets required by IPERA. However, it should be noted that these strategies require the cooperation and implementation by individual states, including in some cases changes to state laws and regulations. DOL has no explicit authority on how states establish priorities in administering their UI programs and, therefore, can only make recommendations and provide technical assistance in the use of these strategies.

FECA Program:

The FECA improper payment rate estimate includes a fraud component. For the purposes of rate calculation, OWCP considers fraudulent payments to be those payments for which fraud has been admitted or proven in the judicial system. A fraudulent payment rate was determined by averaging the court-ordered restitution awarded to FECA as the result of fraud across a three year period. Using this process, the overall IP rate, less fraud, was 1.69%. Charge Back Year 2017 fraud estimation was $10.3 million[1[], which translates to a rate of 0.37%. This represents an increase of 0.01% from last year's IP audit. OWCP attributes this increase to above average court-ordered restitutions awarded to the Department in Charge Back Year 2016, totaling over $27 million. This included nearly $18 million in restitution for a single conviction. As noted above, the three-year base restitution totals averaged $10.3 million.

As noted in **Section VII. Sampling and Estimation: FECA**, the FECA estimate of fraudulent payments are based on actual restitution amounts ordered and therefore did not reflect an estimate of undetected fraud. In the Congressional Budget Office's (CBO) report entitled "How Initiatives to Reduce Fraud in Federal Health Care Programs Affect the Budget" (10/2014), CBO found "...*although fraud that has been successfully prosecuted can be quantified, there is no reliable method to estimate the amount of fraud that goes undetected*...". Given the unreliability of such an estimate, OWCP has concluded that the most appropriate use of limited resources is to focus on understanding and preventing these types of IPs. The FECA program has taken significant steps to enhance early detection of potential fraud. In FY 2018, the FECA program's Program Integrity Unit (PIU) was realigned in order to detect and prevent fraud in the FECA program. The PIU now uses structured data analytics methods to review spending patterns on a quarterly basis so that it can spot trends early and react more quickly to anomalous spending patterns. With regard to medical outlays, DFEC primarily uses a "year to year" comparison methodology, which projects spending for the current chargeback year based on actual year-to-date spending, and compares that number to the prior chargeback year. Using this methodology, DFEC targets specific providers for review based on a combination of total dollars paid in conjunction with the percentage increase in the outlays year over year; new providers with no payments in the prior year but rapidly escalating payments in the current year are also specifically targeted. If DFEC finds evidence of behavior that could be construed as deceptive, misleading, or unfair, a referral is sent to DOL OIG for further review.

The FECA program has IT infrastructure, processes, and staff responsible for reducing and establishing and maintaining sufficient internal controls towards the reduction of IPs. The FECA program incorporates internal controls and responsibilities into the annual performance standards of managers and subordinate staff to ensure focus on understanding and preventing IPs. The FECA program continues to implement effective practices to

[1] As noted above in the **FECA Program Improper Payment Root Cause Categories** table, under the "Other" root cause category.

identify and address root causes of IPs. These practices include instituting periodic claims reviews; allowing agencies and claimants access to its data systems that contain compensation and medical-billing payment information; dedicating full-time staff to investigating potential fraud cases and processing any resulting IP due to the government.

VI. AGENCY INFORMATION SYSTEMS AND OTHER INFRASTRUCTURE

UI Program:

States have internal controls, processes, programs, and staff in place throughout all operations of the UI program dedicated to protection from internal threats and vulnerabilities. These threats and vulnerabilities include physical damage and harm to staff and property, misuse of administrative funds and assets by agency staff, and misuse of UI funds by agency staff. It is incumbent upon the state agencies to have a series of protections in place addressing controls such as the granting of systems access, developing and upholding security policies and procedures, the proper configuration of hardware and software, basic physical safeguards, backup tests and disaster recovery provisions, regular audits, ongoing employee training, etc.

While state internal security programs are intended to identify and eliminate system vulnerabilities, the risk remains of losses from the issuance of improper UI benefit payments and misuse of administrative funds due to fraud, waste, and abuse. States are expected to review these controls and update them regularly to eliminate new threats and vulnerabilities as technology and business practices in the administration of the UI program evolve.

Although integrity is the responsibility of all agency staff, the states have dedicated staff conducting BPC activities to prevent, detect, and recover IP. These staffs work closely with agency management to ensure sufficient controls are in place to prevent IP, conduct complex fraud investigations, and operate the activities required to recover IP.

DOL is also engaged with the states to monitor activity and provide technical assistance to ensure that states are able to utilize available integrity tools. For example, as a result of DOL monitoring, states modified computer matching procedures to improve the productivity of NDNH as a resource to detect IP. Additionally, DOL has worked closely with state agencies to develop the information systems and infrastructure to support SIDES and to access TOP for UI overpayment recovery.

State UI benefit and tax IT systems vary in terms of performance capacities, capabilities, and adaptability to new UI programs requirements and integrity strategies. Many states continue to struggle with antiquated IT infrastructure, making it difficult to implement many integrity solutions. During the past decade, DOL has provided states with supplemental funding to implement strategies and technology-based infrastructure investments that will help the states prevent, detect, and recover UI overpayments. These investments result in staff cost savings for integrity-related activities, increased dollar amounts of overpayments recovered, and prevention of future overpayments. As part of these supplemental funding grants to states, between FY 2009 and FY 2016 DOL provided approximately $376 million to state consortia to address outdated IT system infrastructures. These investments are necessary to improve UI integrity. Currently, there are five consortia projects under way involving 12 states.

FECA Program:

OWCP-DFEC is a claims processing organization adjudicating workers' compensation claims for all Federal employees and certain non-Federal employees specifically covered under FECA. OWCP utilizes the Integrated Federal Employees Compensation System (iFECS) to administer the FECA program. iFECS is a major application that provides a case management system to support DFEC core business functions in administering FECA. iFECS includes the iFECS system and three sub-components, the Agency Query System (AQS), the Claimant Query System (CQS) and the Employees' Compensation Operations and Management Portal (ECOMP). iFECS is a three-tier application that was established to provide FECA with an automated case management system. iFECS provides data processing, program management, financial management, and decision support functionalities to authorized users in DFEC. iFECS maintains an automated record of all claims filed, the adjudicatory status of those claims and benefits paid and denied. Data on entitlement and benefits payment status maintained on iFECS is available in accordance with the Privacy Act to authorized claimants, authorized representatives, and authorized user organizations verbally via telephone and in paper/electronic formats.

VII. SAMPLING AND ESTIMATION

Susceptible to Significant Improper Payments: Two DOL Programs, the Unemployment Insurance (UI) and the Federal Employees' Compensation Act (FECA) benefit programs, are required to provide estimates based on the susceptibility threshold in statute:

- Either potential estimated IP greater than 1.5% of outlays and greater than $10 million, or
- Potential estimated IP of more than $100 million, regardless of percentage.

Payment integrity information/plans for UI and FECA can be found at:

- UI – http://www.oui.doleta.gov/unemploy/improp_pay.asp
- FECA – http://www.dol.gov/ocfo/media/reports/20141104IPMETHODOLOGY.pdf

In consultation with OMB and the DOL OIG, the Department developed statistical sampling processes conducted to estimate the IP rate for each program identified as being susceptible to significant IPs: UI and FECA. These methodologies vary by program and are described in detail in the program-specific narratives below.

UI Program:

UI Improper payment estimates are based on results of the BAM survey, described in detail below, which examines a nationally statistically valid sample of payments from the State UI, UCFE, and UCX programs (the three largest permanently authorized unemployment compensation (UC) programs), but does not include the episodic EUC and EB programs. For purposes of reporting payment accuracy data, the estimated IP rates are assumed to be generalizable to the EUC and EB programs, although those programs are not directly measured by the BAM survey. BAM investigators in each state conduct comprehensive audits for randomly-selected weekly samples of paid and denied claims. The population includes paid and denied claims under the State UI, UCFE, and UCX programs.

UI overpayment and underpayment rates for FY 2017 are shown in the **DOL Programs Required to Submit Improper Payments Estimates** table above, and are for the period July 1, 2016 to June 30, 2017. Data are reported for this period rather than the fiscal year due to the 120 day period provided to state BAM investigators to complete claim audits following the end of the BAM IPIA reporting year. During this period, state agencies completed audits for 24,566 cases completed (data are based on a completion rate of 99.56%). Based on these results, the 95% confidence interval of the estimated IP rate is plus or minus 0.65%. For the FY 2017 reporting, the estimated UI Improper Payment rate consisted of all overpayments and underpayments.

FECA Program:

OWCP consulted with OCFO to develop a sampling methodology and approach to improper payment calculation for the FECA program. OWCP also consulted with the DOL OIG to determine a methodology for estimating fraud that could be added to the improper payment rate estimate. Ultimately this two part approach was approved by OMB in FY 2015.

The improper payment rate component for non-fraudulent FECA payments was derived by random sampling with replacement. The sample sizes used (504 compensation payments and 504 medical payments, for a total of 1008 payments) were selected and validated by the OWCP statistician to assure a 90% confidence interval with a precision of 2.5%. Each sampled payment was closely examined in accordance with the law and program standards to determine whether or not it was proper. The absolute value of any IP found in the sample were totaled and projected to a dollar amount that represents the improper payment rate for the entire population.

The extent of fraudulent payments is based on actual restitution amounts and therefore did not reflect an estimate of undetected fraud. In the Congressional Budget Office's (CBO) report entitled "How Initiatives to Reduce Fraud in Federal Health Care Programs Affect the Budget" (10/2014), CBO found "...*although fraud that has been successfully prosecuted can be quantified, there is no reliable method to estimate the amount of fraud that goes undetected*...". Given the unreliability of such an estimate, OWCP has concluded that the most appropriate use of limited resources is to understand and prevent these types of IPs.

The OIG continues to raise concerns with the validity of the Department's published improper payment estimate for the FECA program. These concerns are related to the FECA program's exclusion of two subsets of cases in its sampling methodology: initial payments made in the first 90 days of the compensation claim, and compensation payments made on non-imaged claims initiated prior to November 2000. As noted in the Department's response to the OIG's report, this methodology was approved by OMB. This methodology is also consistent with the Office of Personnel Management's (OPM) estimation methodology. OWCP's initial review indicated that including these marginal population segments would not create a statistically significant difference in its estimation, nor would it be cost effective.

In response to the OIG's concerns, OWCP has agreed to reevaluate its FECA Improper Payments Estimation Methodology and is conducting a detailed analysis to determine the full effect of those exclusions on its estimate. This analysis will inform the methodology OWCP uses in FY 2018 or will provide further information on the effect of excluding these case types.

Fraud Reduction Report

Maintaining fiscal integrity is a fundamental responsibility for all government agencies. The Department of Labor (DOL) is committed to preventing, detecting, and mitigating fraud risk in all its forms, and to prosecuting fraud when it is discovered. DOL is committed to implementing the fraud risk principle as set out in the Standards for Internal Control in the Federal Government, and to improving mitigation strategies as instructed in the Fraud Reduction and Data Analytics Act (FRDAA) of 2015 (Pub. L. 114-186, 31 U.S.C. 3321 note). The Department has continuous and multilayered efforts to improve controls to prevent, detect, and prosecute fraud and attempted fraud.

DOL policy states that all DOL employees are responsible for promptly reporting information that they reasonably believe reflects fraud, waste, abuse, misconduct, or other wrongdoing. All DOL agency heads, supervisors, and managers are responsible for ensuring that allegations of fraud, waste, abuse, misconduct, or other wrongdoing are reported promptly to the Office of Inspector General (OIG). The DOL OIG is responsible for receiving all allegations of alleged fraud, waste, abuse, misconduct, or other wrongdoing, determining whether such allegations have audit or investigative merit, and conducting or arranging for audits or investigations when appropriate. The OIG may conduct its own audit or investigation, refer the matter to another law enforcement or other federal agency, or refer the matter to the Secretary of Labor or to a program agency within DOL. If a referral is made to the Secretary of Labor or to a program agency within DOL, the OIG may, at any time, and in the sole discretion of the OIG, reassume responsibility for such audit or investigation.

Over the course of FY 2017, major DOL efforts to ascertain fraud risk included conducting the Triennial IPERA Review and the annual Entity Level Controls (ELC) Survey of agency management and personnel to review financial and internal controls risks. The FY 2017 ELC survey, conducted with agencies and identified programs across the Department, asked a number of questions that focused on assessing fraud at an agency and program level. Results of these activities indicate that DOL has strong controls in place to manage fraud risk including established procedures to prevent and detect fraud and clear separation of duties. DOL's OMB Circular A-123 internal control process identified key controls and practices to mitigate and detect fraud in areas such as grants, procurement, beneficiary payments, payroll, and purchase and travel cards. In addition, DOL has participated in the FRDAA Working Group to improve sharing and development of data analytics techniques, financial and administrative controls, and other best practices and techniques for detecting, preventing, and responding to fraud and other improper payments. Under OMB Circular A-123, the Unemployment Insurance (UI) and Federal Employees' Compensation Act (FECA) programs have been deemed susceptible to improper payments and therefore report separate fraud rates. Each program has a mature fraud detection set-up with prosecution efforts implemented. Once a potential fraud case is identified, it is shared with OIG for further review. Also, both programs have instituted program integrity units and data analytics teams which focus on areas determined to be at greater risk to fraud. Detailed information can be found in the **Payment Integrity** reporting section of this AFR. FECA fraud estimation is based on properly adjudicated restitution orders. Recovered restitution orders equaled $1.62 million in FY 2017. UI fraud estimation is based on fraud established by a proper adjudicating authority (i.e. the courts). The level of "established fraud" in the UI program was $3.39 million for FY 2017.

Moving forward, the Department is committed to expanding our fraud reduction efforts. Plans include mining data for trends, further testing of key controls that focus on fraud, and working with DOL partners to help identify and curb fraud at the Department.

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Reduce the Footprint

Consistent with Section 3 of OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations* and OMB Management Procedures Memorandum 2013-02, the "Reduce the Footprint" (RTF) policy implementing guidance, all Chief Financial Officer Act entities must set annual targets to reduce the total square footage of their domestic office and warehouse inventory compared to the FY 2015 baseline.

Per Section II.5.8 of OMB Circular A-136, agencies are required to report cost data along with the most recent square footage information submitted to the Federal Real Property Profile in their annual AFR.

Actions to Reduce the Footprint

Overall, the space utilization for DOL personnel in GSA-provided office space is 264.4 square feet per person, and represents an opportunity for DOL to achieve both rent savings and a reduction of the total office footprint nationwide. As GSA leases commercial space on a competitive basis and sets the rent for federal buildings, DOL has little control of the rent and maintenance cost per square foot for each office location.

Using the initial President's Management Agenda Real Property Benchmarking Metrics, DOL has identified potential space consolidations and co-locations that can result in significant reductions to the DOL office footprint and achieve rent savings for the agencies.

Table RTF 1 reflects the total office and warehouse square footage associated with DOL's assets subject to the Reduce the Footprint policy, as identified by Data Element #3 from Federal Real Property Council's "Guidance for Real Property Inventory Reporting" from the latest available reporting year (FY 2016), and compares it to the FY 2015 Freeze the Footprint baseline (as assigned by GSA)[11]. The reported square footage totals align with agency totals confirmed by GSA, and are based on data from the Federal Real Property Profile and GSA's Occupancy Agreement Database.

Table RTF 1: Reduce the Footprint Baseline Comparison

	FY 2015 Baseline	FY 2016	Change (FY 2015 Baseline – 2016)
Square Footage (SF in millions)	6.93	6.98	(0.05)

NOTE: The square footage increase from FY 2015 to FY 2016 was driven by a number a number of small additions, primarily at Job Corps Centers.

Table RTF 2 reflects the annual operating costs, as reported in the most recent Federal Real Property Profile submittal for owned and direct lease facilities (direct lease facilities does not include GSA occupancy agreements) that are subject to the Reduce the Footprint policy, as identified by Data Element #3 from Federal Real Property Council's "Guidance for Real Property Inventory Reporting" as reported in the most recent Federal Real Property Profile submittal[12]. The cost data reported by DOL is based directly on data reported into the latest available Federal Real Property Profile database.

Table RTF 2: Operation and Maintenance Costs – Owned and Direct Lease Buildings

	FY 2015 Reported Cost	FY 2016	Change (FY 2015 – 2016)
Operation and Maintenance Costs ($ in millions)	$8.82[13]	$9.47	($0.65)

11 See GSA, Office of Government-wide Policy, Federal Real Property Council, 2016 Guidance for Real Property Inventory Reporting (May 16, 2016) p.6.

12 See GSA, Office of Government-wide Policy, Federal Real Property Council, 2016 Guidance for Real Property Inventory Reporting (May 16, 2016) p.6.

13 In the FY 2016 AFR, DOL reported FY 2015 operation and maintenance costs of $7.8 million. This figure only included costs associated with owned facilities, excluding costs of leased facilities.

DOL is continuing to implement a Department-wide strategy to eliminate non-mission dependent space, improve utilization rates, and reduce the costs of the properties. DOL has developed a process for internal reviews and tracking of all office increases, including monthly meetings with DOL regional personnel and reviews of Request for Space submissions.

Co-location, where appropriate, places multiple offices in one location and allows the Department to more effectively manage its real property assets. The primary goals are to co-locate DOL facilities, close small offices where feasible, and implement the DOL standard of 150 usable sq. ft. per employee. This strategy has resulted in significant savings and streamlined the DOL portfolio.

When DOL identifies an underutilized building or block of space in its inventory and there is no longer a need for the asset, DOL will dispose of it to the extent it is cost effective to do so, based upon life-cycle cost analysis. In the case of GSA-assigned leased space, DOL will examine all expiring leases and attempt to relocate to more efficient quarters in order to eliminate underutilized space from its inventory. For owned/direct-leased assets (primarily Job Corps Centers), disposal is a unique challenge given the campus-like nature of the Centers.

Specific strategies to reduce the FY 2015 baseline include implementing the renegotiated collective bargaining agreements as well as the 2017 Department of Labor Manual Series (DLMS) Chapter 2-400 - DOL Space Management to reduce per person square footage, increasing telework, and introducing hoteling, all designed to increase space use efficiency. DOL is also participating with GSA in Consolidated Portfolio Reviews in the Chicago and National Capital Regions and will work closely with GSA in reviewing office space utilization nationwide with DOL agencies to identify opportunities to reduce space and co-locate offices.

Civil Monetary Penalty Inflation Adjustment

Table CMP 1 below describes the Department's current civil monetary penalties, their authorities, year enacted, latest year of adjustments, current penalty level amounts, and additional details (81 FR 43449, July 1, 2016, as amended at 82 FR 5373-5387 (January 18, 2017)), and 82 FR 14147-14149 (March 17, 2017).

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
EBSA	29 U.S.C. §1059(b); 29 CFR 2575.2(a)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 209(b) – Failure to furnish reports (e.g., pension benefit statements) to certain former participants and beneficiaries or maintain records.	1974	2016	$28 per employee per failure.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)
EBSA	29 U.S.C. 1132 (c)(2); 29 CFR 2575.2(b)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(2) – Penalty for failure/refusal to properly file plan annual report; and failure of a multiemployer plan to certify endangered or critical status under §305(b)(3)(C) treated as failure to file annual report.	1987	2017	Up to $2,097 per day per failure.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)
EBSA	29 U.S.C. §1132(c)(4); 29 CFR 2575.2(c)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(4) – Failure to disclose certain documents upon request under ERISA 101(k) and (l); failure to furnish notices under 101(j) and 514(e)(3) - each statutory recipient a separate violation.	1993	2017	Up to $1,659 per day per failure.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
EBSA	29 U.S.C. §1132(c)(5); 29 CFR 2575.2(d)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(5) – Failure to file annual report for Multiple Employer Welfare Arrangements (MEWAs).	1996	2017	Up to $1,527 per day per failure.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)
EBSA	29 U.S.C. §1132(c)(6); 29 CFR 2575.2(e)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(6) – Failure to provide Secretary of Labor requested documentation.	1997	2017	Up to $149 per day not to exceed $1,496 per request.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)
EBSA	29 U.S.C. §1132(c)(7); 29 CFR 2575.2(f)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(7) – Failure to provide notices of blackout periods and of right to divest employer securities.	2002	2017	Up to $133 per day per failure.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)
EBSA	29 U.S.C. §1132(c)(8); 29 CFR 2575.2(g)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(8) – Per each failure by an endangered status multiemployer plan to adopt a funding improvement plan or meet benchmarks; failure of a critical status multiemployer plan to adopt a rehabilitation plan.	2006	2017	Up to $1,317 per day per failure.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
EBSA	29 U.S.C. §1132(c)(9)(A); 29 CFR 2575.2(h)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(9)(A) – Failure by an employer to inform employees of CHIP coverage opportunities under Section 701(f)(3)(B)(i)(l) – each employee a separate violation.	2009	2017	Up to $112 per day per failure.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)
EBSA	29 U.S.C. §1132(c)(9)(B); 29 CFR 2575.2(i)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(9)(B) – Failure by a plan to timely provide to any State information required to be disclosed under Section 701(f)(3)(B)(ii), as added by CHIP regarding coverage coordination – each participant/beneficiary a separate violation.	2009	2017	Up to $112 per day per failure.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)
EBSA	29 U.S.C. §1132(c)(10)(B)(i); 29 CFR 2575.2(j)(1)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(10)(B)(i) – Failure by any plan sponsor of group health plan, or any health insurance issuer offering health insurance coverage in connection with the plan, to meet the requirements of Sections 702(a)(1)(F),(b)(3),(c) or (d); or Section 701; or Section 702(b) (1) with respect to genetic information.	2008	2017	$112 per day per participant and beneficiary during noncompliance period.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
EBSA	29 U.S.C. §1132(c)(10)(C)(i); 29 CFR 2575.2(j)(2)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(10)(C)(i) – Minimum penalty for uncorrected de minimis violations.	2008	2017	Minimum penalty of $2,790 per participant or beneficiary for de minimis failures not corrected prior to notice from Department of Labor.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)
EBSA	29 U.S.C. §1132(c)(10)(C)(ii); 29 CFR 2575.2(j)(3)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(10)(C)(ii) – Minimum penalty for uncorrected violations that are not de minimis.	2008	2017	Minimum penalty of $16,742 per participant or beneficiary for non- de minimis failures not corrected prior to notice from Department of Labor.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)
EBSA	29 U.S.C. §1132(c)(10)(D)(iii); 29 CFR 2575.2(j)(4)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(10)(D)(iii) – Unintentional failure maximum.	2008	2017	Maximum of $558,078 for non-intentional failures.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)
EBSA	29 U.S.C. §1132(c)(12); 29 CFR 2575.2(k)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(12) – Failure of a CSEC plan in restoration status to adopt a restoration plan.	2014	2017	Up to $102 per day per failure.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
EBSA	29 U.S.C. §1132(m); 29 CFR 2575.2(l)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502 (m) – Failure to make a proper distribution from a defined benefit plan under section 206(e) of ERISA.	1994	2017	Up to $16,169 per distribution.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)
EBSA	29 U.S.C. 1185d and 42 U.S.C. 300gg–15;29 CFR 2590.715-2715(e); 29 CFR 2575.2(m)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Failure to provide Summary of Benefits and Coverage under PHS Act section 2715(f), as incorporated in ERISA section 715 and 29 CFR 2590.715-2715(e).	2010	2017	Up to $1,105 per failure.	https://www.ecfr.gov/ 82 FR 5373, 5384-5385 (January 18, 2017)
MSHA	30 CFR 100.3(a)	Federal Mine Safety and Health Act of 1977 (Mine Act) Regular assessment. General violation of a mandatory health or safety standard or violation of any other provision of the Mine Act, as amended.	1977	2017	Maximum $69,417.	https://www.ecfr.gov/ 82 FR 5373 (January 18, 2017)
MSHA	30 CFR 100.3(g)	Federal Mine Safety and Health Act of 1977 (Mine Act) Regular assessment. Penalty conversion table, penalty conversion table which is used to convert the total penalty points to a dollar amount.	1977	2017	Minimum $129, Maximum $69,417.	https://www.ecfr.gov/ 82 FR 5373 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
MSHA	30 CFR 100.4(a)	Federal Mine Safety and Health Act of 1977 (Mine Act) Unwarrantable failure and immediate notification. Penalty for any citation or order issued under section 104(d)(1) of the Mine Act.	1977	2017	Minimum $2,314.	https://www.ecfr.gov/ 82 FR 5373 (January 18, 2017)
MSHA	30 CFR 100.4(b)	Federal Mine Safety and Health Act of 1977 (Mine Act) Unwarrantable failure and immediate notification. Penalty for any order issued under section 104(d)(2) of the Mine Act.	1977	2017	Minimum $4,627.	https://www.ecfr.gov/ 82 FR 5373 (January 18, 2017)
MSHA	30 CFR 100.4(c)	Federal Mine Safety and Health Act of 1977 (Mine Act) Unwarrantable failure and immediate notification. Penalty for failure to provide timely notification to the Secretary under section 103(j) of the Mine Act.	2006	2017	Minimum $5,785, Maximum $69,417.	https://www.ecfr.gov/ 82 FR 5373 (January 18, 2017)
MSHA	30 CFR 100.5(c)	Federal Mine Safety and Health Act of 1977 (Mine Act) Determination of penalty amount; special assessment. Failure to correct a violation for which a citation has been issued under Section 104(a) of the Mine Act.	1977	2007	Maximum $7,520.	https://www.ecfr.gov/ 82 FR 5373 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
MSHA	30 CFR 100.5(d)	Federal Mine Safety and Health Act of 1977 (Mine Act) Determination of penalty amount; special assessment. Any miner who willfully violates the mandatory safety standards relating to smoking standards.	1977	2017	Maximum $318.	https://www.ecfr.gov/ 82 FR 5373 (January 18, 2017)
MSHA	30 CFR 100.5(e)	Federal Mine Safety and Health Act of 1977 (Mine Act) Determination of penalty amount; special assessment. Violations that are deemed to be flagrant under section 110(b)(2) of the Mine Act.	2006	2017	Maximum $254,530.	https://www.ecfr.gov/ 82 FR 5373 (January 18, 2017)
OSHA	29 CFR 1903.15(d)(1)	Occupational Safety and Health Act of 1970 (OSH Act) Penalty per willful violation under section 17(a) of the Act, 29 U.S.C. 666(a).	1970	2017	Minimum $9,054, Maximum $126,749.	https://www.ecfr.gov/ 82 FR 5385-86 (January 18, 2017)
OSHA	29 CFR 1903.15(d)(2)	Occupational Safety and Health Act of 1970 (OSH Act) Penalty per repeated violation under section 17(a) of the Act, 29 U.S.C. 666(a).	1970	2017	Maximum $126,749.	https://www.ecfr.gov/ 82 FR 5385-86 (January 18, 2017)
OSHA	29 CFR 1903.15(d)(3)	Occupational Safety and Health Act of 1970 (OSH Act) Penalty for a serious violation under section 17(b) of the Act, 29 U.S.C. 666(b).	1970	2017	Maximum $12,675.	https://www.ecfr.gov/ 82 FR 5385-86 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
OSHA	29 CFR 1903.15(d)(4)	Occupational Safety and Health Act of 1970 (OSH Act) Penalty for an other-than-serious violation under section 17(c) of the Act, 29 U.S.C. 666(c).	1970	2017	Maximum $12,675.	https://www.ecfr.gov/ 82 FR 5385-86 (January 18, 2017)
OSHA	29 CFR 1903.15(d)(5)	Occupational Safety and Health Act of 1970 (OSH Act) Penalty for a failure to correct a violation under section 17(d) of the Act, 29 U.S.C. 666(d).	1970	2017	Maximum $12,675 per day.	https://www.ecfr.gov/ 82 FR 5385-86 (January 18, 2017)
OSHA	29 CFR 1903.15(d)(6)	Occupational Safety and Health Act of 1970 (OSH Act) Penalty for a posting requirement violation under section 17(i) of the Act, 29 U.S.C. 666(i).	1970	2017	Maximum $12,675.	https://www.ecfr.gov/ 82 FR 5385-86 (January 18, 2017)
OWCP	20 CFR 702.204	Longshore and Harbor Workers' Compensation Act Failure to furnish and or falsifying. Knowingly and willfully fail or refuse to send any report required by §702.201, or knowingly or willfully make a false statement or misrepresentation in any report.	1927	2017	Maximum $22,957.	https://www.ecfr.gov/ 82 FR 5386-87 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
OWCP	20 CFR 702.236	Longshore and Harbor Workers' Compensation Act Failure to report termination of payments. Failure to notify the district director that the final payment of compensation has been made as required by §702.235.	1927	2017	Maximum $279.	https://www.ecfr.gov/ 82 FR 5386-87 (January 18, 2017)
OWCP	20 CFR 702.271(a)(2)	Longshore and Harbor Workers' Compensation Act Discrimination; against employees who bring proceedings, prohibition and penalty.	1927	2017	Minimum $2,296, Maximum $11,478.	https://www.ecfr.gov/ 82 FR 5386-87 (January 18, 2017)
OWCP	20 CFR 725.621 (b)	Black Lung Benefits Act Failure to report termination of payments.	1978	2017	Maximum $1,397.	https://www.ecfr.gov/ 82 FR 5386-87 (January 18, 2017)
OWCP	20 CFR 725.621(d)	Black Lung Benefits Act Failure to file required reports.	1978	2017	Maximum $1,397.	https://www.ecfr.gov/ 82 FR 5386-87 (January 18, 2017)
OWCP	20 CFR 726.300	Black Lung Benefits Act Failure to secure payment of benefits.	1978	2017	Maximum $2,541.	82 FR 5386-87 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
OWCP	20 CFR 726.302(c)(2)(i)	Black Lung Benefits Act Failure to secure payment of benefits for mines with fewer than 25 employees.	1978	2017	Minimum $136.	https://www.ecfr.gov/ 82 FR 5386-87 (January 18, 2017)
OWCP	20 CFR 726.302(c)(2)(i)	Black Lung Benefits Act Failure to secure payment of benefits for mines with 25-50 employees.	1978	2017	Minimum $272.	https://www.ecfr.gov/ 82 FR 5386-87 (January 18, 2017)
OWCP	20 CFR 726.302(c)(2)(i)	Black Lung Benefits Act Failure to secure payment of benefits for mines with 51-100 employees.	1978	2017	Minimum $409.	https://www.ecfr.gov/ 82 FR 5386-87 (January 18, 2017)
OWCP	20 CFR 726.302(c)(2)(i)	Black Lung Benefits Act Failure to secure payment of benefits for mines with more than 100 employees.	1978	2017	Minimum $544.	https://www.ecfr.gov/ 82 FR 5386-87 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
OWCP	20 CFR 726.302(c)(4)	Black Lung Benefits Act Failure to secure payment of benefits after 10th day of notice.	1978	2017	Minimum $136.	https://www.ecfr.gov/ 82 FR 5386-87 (January 18, 2017)
OWCP	20 CFR 726.302(c)(5)	Black Lung Benefits Act Failure to secure payment of benefits for repeat offenders.	1978	2017	Minimum $409.	https://www.ecfr.gov/ 82 FR 5386-87 (January 18, 2017)
OWCP	20 CFR 726.302(c)(6)	Black Lung Benefits Act Failure to secure payment of benefits.	1978	2017	Maximum $2,795.	https://www.ecfr.gov/ 82 FR 5386-87 (January 18, 2017)
WHD	40 U.S.C. 3702(c); 29 CFR 5.8(a) and 29 CFR 5.5(b)(2)	Contract Work Hours and Safety Standards Act (CWHSSA) Failure to pay laborers and mechanics at a rate not less than one and one-half times their basic rate of pay.	1962	2016	Maximum $25.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
WHD	29 U.S.C. 2005(a); 29 CFR 801.42(a)	Employee Polygraph Protection Act (EPPA) (1) Requiring, requesting, suggesting or causing an employee or prospective employee to take a lie detector test or using, accepting, referring to or inquiring about the results of any lie detector test of any employee or prospective employee, other than as provided in the Act or part 801. (2) Taking an adverse action or discriminating in any manner against any employee or prospective employee on the basis of the employee's or prospective employee's refusal to take a lie detector test, other than as provided in the Act or part 801. (3) Discriminating or retaliating against an employee or prospective employee for the exercise of any rights under the Act. (4) Disclosing information obtained during a polygraph test, except as authorized by the Act or part 801. (5) Failing to maintain the records required by the Act or part 801. (6) Resisting, opposing, impeding, intimidating, or interfering with an official of the DOL during the performance of an investigation, inspection, or other law enforcement function under the Act or part 801. (7) Violating any other provision of the Act or part 801.	1988	2017	Maximum $20,111.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
WHD	29 U.S.C. 211(d); 29 CFR 530.302 (a),(b)	Fair Labor Standards Act (FLSA) Homeworker Violation of recordkeeping, monetary, certificate or other statutes, regulations or employer assurances.	1938	2017	Minimum $20, Maximum $1,005.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)
WHD	29 U.S.C. 216(e)(1)(A)(i); 29 CFR 579.1(a)(1)(i)(A); 29 CFR 579.1(a)(1)(i)(B)	Fair Labor Standards Act (FLSA) Child labor (1) Violation of child labor standards (sec 212 or 213(c)).	1938	2017	Maximum $12,278.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)
		(2) Violation of child labor standards (sec 212 or 213(c)) resulting in serious injury or death.	1938	2017	Maximum $55,808.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)
		(3) Willful or repeated violation of child labor standards (sec 212 or 213(c)) resulting in serious injury or death.	1938	2017	Maximum $111,616.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)
WHD	29 U.S.C. 216(e)(2); 29 CFR 579.1(a)(2)	Fair Labor Standards Act (FLSA) Minimum Wage and Overtime Repeated or willful violation of section 206 or 207.	1938	2017	Maximum $1,925.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
WHD	29 U.S.C. 2619(b); 29 CFR 825.300(a)(1)	Family & Medical Leave Act (FMLA) Willful violation of posting requirement.	1993	2017	Maximum $166.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)
WHD	8 U.S.C. 1288(c)(4)(E)(i); 20 CFR 655.620 (a)	Immigration & Nationality Act (D-1) Violation of the attestation or 20 CFR 655 subparts F or G related to utilizing alien crew for longshore activities in US ports.	1952	2017	Maximum $9,054.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
WHD	8 U.S.C. 1182(n)(2)(c)(i); 20 CFR 655.810(b)(1)	Immigration & Nationality Act (H-1B) (1) A violation pertaining to strike/lockout or displacement of US workers. (2) A substantial violation pertaining to notification, labor condition application specificity, or recruitment of US workers. (3) A misrepresentation of material fact on the labor condition application. (4) An early-termination penalty paid by the employee. (5) Payment by the employee of the additional filing fee. (6) Violation of the requirements in 20 CFR 655 subparts H and I or the provisions regarding public access where the violation impedes the ability of the Administrator to determine whether a violation of sections 212(n) or (t) of the INA has occurred or the ability of members of the public to have information needed to file a complaint or information regarding alleged violations of sections 212(n) or (t) of the INA.	1952	2017	Maximum $1,811.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
WHD	8 U.S.C. 1182(n)(2)(c)(ii); 20 CFR 655.810(b)(2)	Immigration & Nationality Act (H-1B) (1) A willful failure pertaining to wages/working conditions, strike/lockout, notification, labor condition application specificity, displacement (including placement of an H-1B nonimmigrant at a worksite where the other/secondary employer displaces a US worker), or recruitment. (2) A willful misrepresentation of a material fact on the labor condition application; or (3) Discrimination against an employee.	1952	2017	Maximum $7,370.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)
WHD	8 U.S.C. 1182(n)(2)(c)(iii) ; 20 CFR 655.810(b)(3)	Immigration & Nationality Act (H-1B) (1) A willful violation resulting in displacement of a US worker employed by the employer in the period beginning 90 days before and ending 90 days after the filing of an H-1B petition in conjunction with: (i) A willful violation of the provisions pertaining to wages/working condition, strike/lockout, notification, labor condition application specificity, displacement, or recruitment; or (ii) A willful misrepresentation of a material fact on the labor condition application.	1952	2017	Maximum $51,588.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
WHD	8 U.S.C. 1188(g)(2); 29 CFR 501.19(c)	Immigration & Nationality Act (H-2A) Violation of the work contract or a requirement of 8 U.S.C. 1188, 20 CFR part 655 subpart B, or 29 CFR part 501.	1952	2017	Maximum $1,658.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)
WHD	8 U.S.C. 1188(g)(2); 29 CFR 501.19(c)(1)	Immigration & Nationality Act (H-2A) Willful violation of the work contract or a requirement of 8 U.S.C. 1188, 20 CFR part 655 subpart B, or 29 CFR part 501.	1952	2017	Maximum $5,581.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)
WHD	8 U.S.C. 1188(g)(2); 29 CFR 501.19(c)(2)	Immigration & Nationality Act (H-2A) Violation of a housing or transportation safety and health provision of the work contract, or any obligation under 8 U.S.C. 1188, 20 CFR part 655 subpart B, or 29 CFR part 501, that proximately causes the death or serious injury of any worker.	1952	2017	Maximum $55,263.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)
WHD	8 U.S.C. 1188(g)(2); 29 CFR 501.19(c)(4)	Immigration & Nationality Act (H-2A) Repeat or willful violation of a housing or transportation safety and health provision of the work contract, or any obligation under 8 U.S.C. 1188, 20 CFR part 655 subpart B, or 29 CFR part 501, that proximately causes the death or serious injury of any worker.	1952	2017	Maximum $110,524.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
WHD	8 U.S.C. 1188(g)(2); 29 CFR 501.19(d)	Immigration & Nationality Act (H-2A) Violation for failure to cooperate in an investigation.	1952	2017	Maximum $5,581.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)
WHD	8 U.S.C. 1188(g)(2); 29 CFR 501.19(e)	Immigration & Nationality Act (H-2A) Violation for laying off or displacing any US worker employed in work or activities that are encompassed by the approved Application for Temporary Employment Certification for H-2A workers in the area of intended employment either within 60 days preceding the date of need or during the validity period of the job order, including any approved extension thereof, other than for a lawful, job-related reason.	1952	2017	Maximum $16,579.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)
WHD	8 U.S.C. 1188(g)(2); 29 CFR 501.19(f)	Immigration & Nationality Act (H-2A) Violation for improperly rejecting a US worker who is an applicant for employment, in violation of 8 U.S.C. 1188, 20 CFR part 655 subpart B, or 29 CFR part 501.	1952	2017	Maximum $16,579.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
WHD	8 U.S.C. 1184(c)(14); 29 CFR 503.23(b)	Immigration & Nationality Act (H-2B) Violation of any provisions of section 503.16 related to wages, impermissible deductions or prohibited fees and expenses (equal to the difference between the amount that should have been paid and the amount that actually was paid to such worker(s)).	1952	2017	Maximum $12,135.	https://www.ecfr.gov/ 82 FR 14147-14149 (March 17, 2017)
WHD	8 U.S.C. 1184(c)(14); 29 CFR 503.23(c)	Immigration & Nationality Act (H-2B) Violation related to termination by layoff or otherwise or refusal to employ any worker in violation of section 503.16(r), (t), or (v), within the periods described in those sections (equal to the wages that would have been earned but for the layoff or failure to hire).	1952	2017	Maximum $12,135.	https://www.ecfr.gov/ 82 FR 14147-14149 (March 17, 2017)
WHD	8 U.S.C. 1184(c)(14); 29 CFR 503.23(d)	Immigration & Nationality Act (H-2B) Any other violation that meets the standards described in section 503.19.	1952	2017	Maximum $12,135.	https://www.ecfr.gov/ 82 FR 14147-14149 (March 17, 2017)
WHD	29 U.S.C. 1853(a)(1); 29 CFR 500.1(e)	Migrant and Seasonal Agricultural Worker Protection Act (MSPA) Willful and knowing violation the Act or any regulation under the Act.	1983	2017	Maximum $2,394.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)

Bureau Name	Statutory Authority	Penalty (Name and Description)	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty Level ($ Amount or Range)	Location for Penalty Update Details
WHD	41 U.S.C. 6503(b); 41 CFR 50-201.3(e)	Walsh-Healey Public Contracts Act (PCA) Knowing employment of persons under 16 years of age or convict labor in the performance of the contract.	1936	2017	Maximum $25.	https://www.ecfr.gov/ 82 FR 5386 (January 18, 2017)

Grants Oversight and New Efficiency Act (GONE Act)

Summary table GONE Act 1 below describes the Department's grant and cooperative agreement awards (awards) and balances for which closeout has not yet occurred but for which the period of performance has elapsed more than two years with zero dollar and undisbursed balances as reported in the U.S. Department of Health and Human Services (HHS), Payment Management System (PMS) as of September 30, 2017.

Description	Awards with Zero Dollar and Undisbursed Balances as Reported in PMS							
	2-3 Years		>3-5 Years		> 5 Years		Total	
	Awards	Amount	Awards	Amount	Awards	Amount	Awards	Amount
Total Zero Dollar Balances	282	-	307	-	4,111	-	4,700	-
Total Undisbursed Balances	116	$4,161,650.26	134	$19,499,560.25	651	$20,455,407.39	901	$44,116,617.90
Total Zero Dollar and Undisbursed Balances	**398**	**$4,161,650.26**	**441**	**$19,499,560.25**	**4,763**	**$20,455,407.39**	**5,601**	**$44,116,617.90**

The above summary table displays the Department’s awards for which the period of performance has elapsed more than two years in the HHS, PMS. The majorities of those awards held have been administratively closed out in the Department’s Financial Management System upon required work associated with the awards have been completed. In addition, the Department awards shown in PMS include disbursed contracts that are outside the scope of GONE Act reporting.

The Department has robust procedures and dedicated resources to ensure the timely closeout of awards after the period performance. Less than 1% of grants awarded, for which the period of performance has elapsed beyond two years for zero and undisbursed balances, remain open. Close out for these awards is delayed due to: 1) unresolved audit and monitoring findings; 2) financial reporting reconciliation issues; 3) grantees no longer in business; and 4) unapproved indirect costs rates.

The Department still recognizes the need to address these challenges. To date, the Department has teamed up with the grants and program offices to ensure the indirect cost agreement instructions are included in the terms and conditions of the award. The Department has reduced the number of awards remaining open due to financial report reconciliations by streamlining multiple appropriation codes on a single award. In addition, the Department is continuously evaluating the awards reconciliation process to determine if any system enhancements are needed.

The Department works closely with Audit Resolution team to obtain the status of final determinations of audit and monitoring reviews findings. Also, the Department reinforces existing financial reporting procedures to accurately and timely report to award recipients. Finally, the Department is aggressively working with HHS to expedite the closeout of awards in PMS.

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Acronyms

AFR	Agency Financial Report
ARRA	American Recovery and Reinvestment Act
BAM	Benefit Accuracy Measurement
BLDTF	Black Lung Disability Trust Fund
BLS	Bureau of Labor Statistics
BPC	Benefit Payment Control
CAP	Corrective Action Plan
CBO	Congressional Budget Office
CIO	Chief Information Officer
COLA	Cost of Living Allowance/Adjustment
CPIM	Consumer Price Index-Medical
CPI-U	Consumer Price Index-Urban
CPP	Clean Power Plan
CSEOA	Community Service Employment for Older Americans
CSRS	Civil Service Retirement System
CY	Current Year
DFEC	Division of Federal Employees' Compensation
DMF	Death Master File
DM&R	Deferred Maintenance and Repairs
DNP	Do Not Pay
DOE	U.S. Department of Energy
DOL	U.S. Department of Labor
DVOP	Disabled Veterans Outreach Program
EB	Extended Benefits
EBSA	Employee Benefits Security Administration
EEOICPA	Energy Employees Occupational Illness Compensation Program Act
ERISA	Employee Retirement Income Security Act
ES	Employment Service
ESAA	Employment Security Administration Account
ETA	Employment and Training Administration
EUC	Emergency Unemployment Compensation
EUCA	Extended Unemployment Compensation Account
FASAB	Federal Accounting Standards Advisory Board
FAUC	Federal Additional Unemployment Compensation
FCI	Facilities Condition Index
FEC	Federal Employees Compensation
FECA	Federal Employees' Compensation Act

FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FLSA	Fair Labor Standards Act
FMFIA	Federal Managers' Financial Integrity Act
FUA	Federal Unemployment Account
FUTA	Federal Unemployment Tax Act
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GSA	U.S. General Services Administration
HVRP	Homeless Veterans' Reintegration Program
ILAB	Bureau of International Labor Affairs
IP	Improper Payments
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
IT	Information Technology
JVSG	Jobs for Veterans State Grants
LVER	Local Veterans Employment Representative
MSHA	Mine Safety and Health Administration
NASWA	National Association of State Workforce Agencies
NCFMS	New Core Financial Management System
NDNH	National Directory of New Hires
NIOSH	National Institute for Occupational Safety and Health
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
ODEP	Office of Disability Employment Policy
OFCCP	Office of Federal Contract Compliance Programs
OIG	Office of Inspector General
OJC	Office of Job Corps
OLMS	Office of Labor-Management Standards
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management

OSH Act	Occupational Safety and Health Act
OSHA	Occupational Safety and Health Administration
OUI	Office of Unemployment Insurance
OWCP	Office of Workers' Compensation Programs
PP&E	Property, Plant, and Equipment
PY	Prior Year/Program Year
RECA	Radiation Exposure Compensation Act
RMO	Responsible Mine Operator
SAM	System for Award Management
SBR	Statements of Budgetary Resources
SCOTUS	Supreme Court of the United States
SCSEP	Senior Community Service Employment Program
SCSIA	Statements of Changes in Social Insurance Amounts
SFFAS	Statement of Federal Financial Accounting Standards
SIDES	State Information Data Exchange System
SOSI	Statements of Social Insurance
SSA	U.S. Social Security Administration
SWA	State Workforce Agency
TAA	Trade Adjustment Assistance
TAACCCT	Trade Adjustment Assistance Community College and Career Training
TOP	Treasury Offset Program
UC	Unemployment Compensation
UCFE	Unemployment Compensation for Federal Employees
UCX	Unemployment Compensation for Ex-Service Members
UI	Unemployment Insurance
U.S.C.	United States Code
USCA	U.S. Court of Appeals
USERRA	Uniformed Services Employment and Reemployment Rights Act
USPS	United States Postal Service
UTF	Unemployment Trust Fund
VETS	Veterans' Employment and Training Service
WB	Women's Bureau
WHD	Wage and Hour Division
WIA	Workforce Investment Act
WIOA	Workforce Innovation and Opportunity Act

UNITED STATES DEPARTMENT OF LABOR

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