UNITED STATES DEPARTMENT OF LABOR

AGENCY FINANCIAL REPORT

FISCAL YEAR 2016

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Message from the Secretary of Labor

The Department of Labor plays a central role in expanding opportunity for millions of people in America and around the world. We have emphasized job-driven training to help workers of all ages, including veterans and people with disabilities, build meaningful careers and punch their tickets to the middle class. We have expanded minimum wage and overtime protections for home health-care workers, given more workers access to overtime pay, and implemented President Obama's executive orders to raise wages for workers on federal contracts and provide them with paid sick leave. We have increased our efforts to protect workers' safety, workplace rights, and retirement security. To be sure, there is much more to be done—and the Department's work continues. We are committed to building a stronger America through shared prosperity.

To learn more about our efforts, I encourage you to visit DOL.gov and read our Fiscal Year (FY) 2014-18 Strategic Plan. The Strategic Plan provides a five-year outline of the specific, measurable and strategic outcomes and goals toward which we are working.

We are committed to reaching these goals, focusing on performance management and on investing our resources smartly. That is why I am pleased to present the U.S. Department of Labor's FY 2016 Agency Financial Report (AFR). This annual publication demonstrates to Congress and the public our operational record and financial stewardship of public funds. The report explains how we spend our budget dollars, highlighting both key accomplishments and plans for the future. Once again, an independent audit of our financial statements has resulted in an unmodified, "clean," opinion.

I am also pleased to report that the Department can offer a statement of reasonable assurance that the financial and performance data in this report are reliable and complete per Office of Management and Budget (OMB) guidance. Our assessment of internal controls and compliance of our financial management systems is outlined in the *Management Assurances* in the *Management's Discussion and Analysis* section of this report.

Our independent auditor updated and reissued the FY 2015 material weakness and identified a new material weakness in FY 2016. During the past year, DOL made significant strides regarding the closeout of its prior material weakness related to lack of sufficient information technology general controls over key financial feeder systems. There is still more work to be done. DOL recognizes the importance of implementing adequate safeguards to protect information and information systems and will endeavor to eliminate these weaknesses in FY 2017. Additionally, the independent auditors issued a new material weakness concerning deficiencies in estimating future excise tax income used in the Statement of Social Insurance, which we also expect to eliminate in the next year.

Thomas E. Perez
U.S. Secretary of Labor

The Department of Labor's 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 Strategic Goals:

1: Prepare workers for better jobs.

2: Improve workplace safety and health.

3: Promote fair and high-quality work environments.

4: Secure retirement, health, and other employee benefits and, for those not working, provide income security.

5: Produce timely and accurate data on the economic conditions of workers and their families.

We have taken aggressive steps to ensure that our nearly 16,000 employees are focused on working for workers. We continue to analyze our programs to determine whether we are providing taxpayers with the best possible return on their investment. Our ambitious evaluation agenda allows us to assess the impact of our programs on the lives of workers and their families. To learn about our evaluation work, turn to the *Program Performance Overview* part of the *Management Discussion and Analysis* section of this AFR. For in-depth performance information, please see the Department's *Annual Performance Report*, and *FY 2017 Detailed Budget* on our website.

I am proud of what we have achieved on behalf of workers around the country and around the world, and I believe our financial stewardship lends credibility to our work in an era of tight budgets. I also know that too many people are not getting to share in the prosperity that they help to create. We all have a shared commitment to build brighter futures for these workers and to strengthen our communities. That's one reason that makes the Department of Labor and engine of opportunity today and for the future.

THOMAS E. PEREZ
U.S. Secretary of Labor
December 15, 2016

Secretary Perez met with farmworkers in Oxnard, California, in April 2016, following a Regional Summit on Worker Voice, held in Los Angeles. The summit focused on innovative ways that workers, state and city officials, members of Congress, union advocates, community organizers and businesses are coming together to build an economy that works for everyone.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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*.

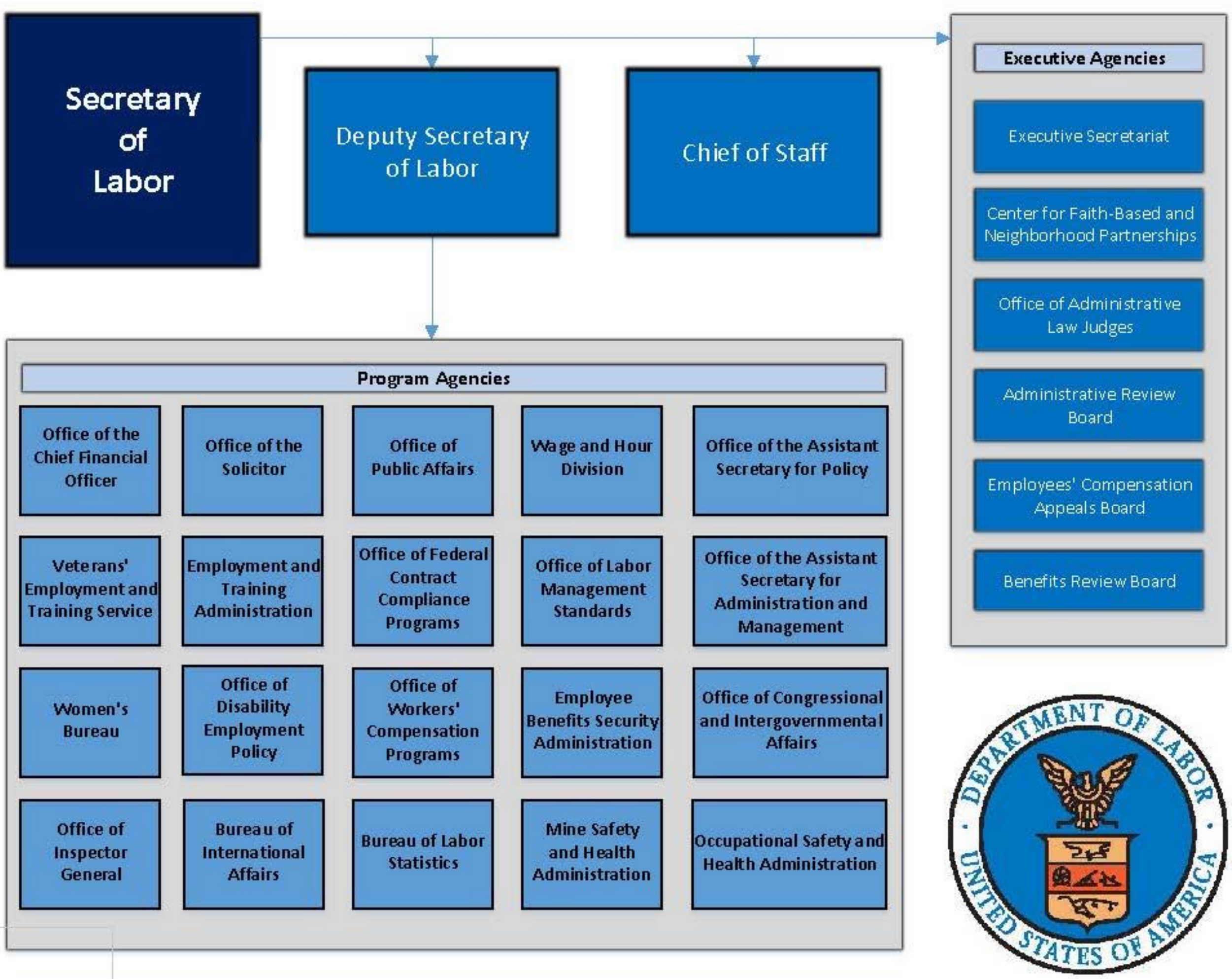
Mission Statement and Organizational Structure

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

> "*To foster, promote and develop the welfare of the job seekers, wage earners 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



Certificate of Excellence in Accountability Reporting

In May 2016, DOL received the Certificate of Excellence in Accountability Reporting (CEAR) from the Association of Government Accountants (AGA) for its FY 2015 Agency Financial Report. The CEAR Program was established by the AGA, in conjunction with the Chief Financial Officers Council, to further performance and accountability reporting. Receiving the CEAR Award represents a significant accomplishment for a federal agency. FY 2015 reporting marked the 15th year the Department received this award.

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 presents the Department's performance goals, objectives and results. It discusses 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 in 2017 with the FY 2018 Congressional Budget Justification. These reports will be posted at http://www.dol.gov/dol/aboutdol/#budget.

The Department's current five-year Strategic Plan - http://www.dol.gov/osec/stratplan/ includes five Strategic Goals and 10 Strategic Objectives that support the Secretary's vision of *promoting and protecting opportunity* for all workers and employers. These goals are presented in the following table:

STRATEGIC GOAL 1: Prepare workers for better jobs.
1.1. Advance employment opportunities for US workers in the 21st century demand sectors and occupations using proven training models through increased employer engagement and partnerships. 1.2. Provide marketable skills and knowledge to increase workers' incomes and help them overcome barriers to the middle class through partnerships among business, education, labor, community organizations, and the workforce system. 1.3. Advance workers' rights, acceptable work conditions, and livelihoods, particularly for the world's vulnerable populations.
STRATEGIC GOAL 2: Improve workplace safety and health.
2.1. Secure safe and healthy workplaces, particularly in high-risk industries.
STRATEGIC GOAL 3: Promote fair and high-quality work environments.
3.1. Break down barriers to fair and diverse work-places and narrow wage and income inequality. 3.2. Protect workers' rights. 3.3. Secure wages and overtime.
STRATEGIC GOAL 4: Secure retirement, health, and other employee benefits and, for those not working, provide income security.
4.1. Provide income support when work is impossible or unavailable and facilitate return to work. 4.2. Improve health benefits and retirement security for all workers.
STRATEGIC GOAL 5: Produce timely and accurate data on the economic conditions of workers and their families.
5.1. Provide sound and impartial information on labor market activity, working conditions and price changes in the economy for decision making, including support for the formulation of economic and social policy affecting virtually all Americans.

The goal structure incorporates the Department's commitment to measuring results that positively impact the day-to-day lives of working families. Reporting performance for these measures allows the public and the Department to track progress in implementation of the strategic goals and objectives.

The program performance overview organizes DOL program agencies into five categories that report FY 2016 performance data. The Department's mission is also supported by administrative, policy, legal, public affairs, and Congressional liaison offices.

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

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

EMPLOYMENT & TRAINING

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. These programs support the Department's Strategic Goal 1, *Prepare workers for better jobs* and the associated Strategic Objectives 1.1, *Advance employment opportunities for US workers in the 21st century demand sectors and occupations using proven training models through increased employer engagement and partnerships*, and 1.2, *Provide marketable skills and knowledge to increase workers' incomes and help them overcome barriers to the middle class through partnerships among business, education, labor, community organizations, and the workforce system*. ETA also supports the Department's Strategic goal *3, Promote fair and high-quality work environments* and the associated Strategic Objective 3.3, *Secure wages and overtime*. Grants monitoring is a major agency-wide 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. In FY2016, ETA strategically chose to direct its resources to provide much needed WIOA implementation efforts which included guidance and technical assistance to the now expanded public workforce system. In FY2016, we focused on fiscal and programmatic responsibility and progress towards WIOA implementation and exceeded our goal of 26%. The approach for FY2017 will be similar to FY2016. With the level of resources ETA has available, ETA will continue to implement WIOA and to monitor its grant portfolio, including both formula and competitively-awarded discretionary grants.

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 met its FY 2016 target of 26% by monitoring 26.61% of all active grants assigned to the regions. This outcome includes all monitoring that resulted in a monitoring report, whether on-site or Enhanced Desk Monitoring Review (EDMR). In FY 2016, consistent with limited Program Administration (PA) resources, 26% of all active grants were monitored (via on-site or Enhanced Desk Monitoring) versus the historical 33-35% per year. For example, in FY 2006, ETA had 323 regional Full-Time Equivalents (FTE) to monitor 1,995 active grants. In FY 2016, ETA had 255 regional FTE to monitor 2,486.

Strategic Goal 1: Prepare workers for better jobs						
Measure	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Percent of Grants Monitored Annually by Regional Offices	--	25.00%	32.48%	28.45%	29.49%	26.61%

Looking Forward: As of October 1, 2016, ETA has a total of 2,586 active grants with a total funding portfolio of $23.7 billion; 2,199 grants are assigned to 253 regional FTE and 387 grants assigned to approximately 14 FTE in the national office. In light of these limited resources, ETA will continue to work towards the 2017 grant monitoring target of 26% in FY 2017. ETA will also explore options to coordinate grant monitoring processes with its federal partners and possible funding sources to update the core monitoring guide.

Veterans’ Employment and Training Service (VETS)

VETS is committed to the nation’s responsibility 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’ programs contribute to the Department’s Strategic Goal 1, *Prepare workers for better jobs*, and the associated Strategic Objective 1.1, *Advance employment opportunities for US workers in the 21st century demand sectors and occupations using proven training models through increased employer engagement and partnerships*. The Jobs for Veterans State Grants (JVSG) program 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 promote 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. VETS is also responsible for administering its Uniformed Services Employment and Reemployment Rights Act (USERRA) program, which protects civilian job rights and benefits for active 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 strives to complete USERRA investigations within 90 days. For cases that require investigation beyond 90 days, investigators ensure claimants are consulted to approve an extension. Additionally, VETS conducts a review of a sampling of cases each quarter to ensure that cases meet the quality standards set by the agency.

In recent years, VETS has increased its focus on case quality with respect to investigations, and continues to seek new ways to institutionalize that focus on quality. This has resulted in the percentage of USERRA cases completed within 90 days decreasing slightly. In all cases where the 90 day target was not met, VETS obtained permission from the claimant to keep open and resolve the claim. In FY 2016, the quality of investigations continued to increase compared to prior years. In FY 2015, VETS' Senior Investigators and the DOL Solicitor met to assess the then-current quality assurance review process. In FY 2016, that work group concluded and VETS field tested (in two regions) a new electronic quality assurance review (QAR) tool. The new electronic QAR is more efficient, user friendly, and addresses critical elements necessary to determine case quality. In FY 2017, VETS anticipates implementing the new QAR nationwide.

Strategic Goal 1: Prepare workers for better jobs						
Measure	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Percent of USERRA Investigations Completed Within 90 Days	87%	89%	89.6%	88.0%	88.5%	87.0%
Percent of Closed USERRA Cases Meeting Agency's Quality Standard	--	83%	83%	91.5%	91.7%	95.5%

Looking Forward: VETS is committed to maintaining the 90% intensive services rate through FY 2017. In FY 2017, the agency will continue to work with ETA and other stakeholders to implement WIOA, effective July 1, 2016, to ensure VETS meets all statutory requirements. This act made significant changes to the public workforce system designed to improve coordination between workforce programs and to modify program performance measures.

WORKER PROTECTION

Office of Federal Contract Compliance Programs (OFCCP)

OFCCP ensures that nearly 200,000 Federal contractor facilities and locations provide equal employment opportunities 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 ban 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 supports the Department's Strategic Goal 3, *Promote fair and high-quality work environments* and the associated Strategic Objective 3.1, *Break down barriers to fair and diverse work-places and narrow wage and income inequality.*

OFCCP's compliance evaluations and complaint investigations play a critical role in measuring Federal contractor compliance with legal obligations under these authorities. Since 2009, OFCCP has refocused its efforts from almost exclusively systemic hiring discrimination on the basis of sex or race in low-wage and entry-level jobs to systemic compensation discrimination to ensure workers also receive equal pay without discrimination. This includes placement into lower paying jobs due to sex 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. Subsequently, OFCCP has obtained nearly $6 million in financial remedies to more than 3,000 workers who were paid unfairly. These cases are in a wide variety of industries, from construction sites to STEM (science, technology, engineering, and math) jobs, and remedy workers from the bottom to the top of the wage scale. These cases require additional time, resources, and sophisticated fact-finding and analysis, but have substantially improved overall enforcement outcomes for both jobseekers and wage earners.

With this strategy, in FY 2016 OFCCP completed the fewest number of compliance evaluations and complaint investigations since FY 2011, but remedied as many victims of discrimination as it had in prior years, on average, with half the cases. Also in FY 2016, OFCCP obtained over $10.5 million in financial remedies for these victims, nearly double the $6 million in financial remedies obtained in FY 2015 with one-third fewer cases – and nearly as much as the $12 million obtained in FY 2014 with one-half fewer cases.

Strategic Goal 3: Promote fair and high quality work environments						
Measure	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Compliance Evaluations and Complaint Investigations[1]	4,149	4,183	4,342	3,987	2,717	1,844
Victims of Discrimination	15,221	30,851	9,268	23,018	16,040	18,362
Percent of Discrimination Cases Remedying Systemic Compensation[2]	6%	3%	5%	23%	20%	35%

[1] Beginning in FY 2016, OFCCP revised this measure to report both the number of compliance evaluations and complaint investigations, as this is a better indicator of the agency's efforts to identify and remedy discrimination. The agency has updated the previous years' outcomes to reflect this change.
[2] Includes only compliance evaluations and not complaints.

Looking Forward: In FY 2017, OFCCP will continue to prioritize this high quality work by continuing to identify, investigate, and resolve cases that touch a wide variety of industries, occupations, and employment practices that make up today's complex and fast changing labor market. The agency also will continue to expand its capacity for high-level technical and statistical expertise to sustain a growing inventory of high quality systemic discrimination cases to ensure fair and diverse workplaces and income equality among those who do business with the federal government.

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 our nation's economy. OSHA supports the Department's Strategic Goal 2, *Improve workplace safety and health,* and Strategic Goal 3, *Promote fair and high-quality work environments,* and related Strategic Objectives 2.1, *Secure safe and healthy workplaces, particularly in high-risk industries* and 3.2, *Protect workers' rights*. 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, such as the chemical and refinery industries; industries that generate combustible dust; oil and gas well drilling; commercial construction; highway, street, bridge, and tunnel construction; arborist and logging work; water, sewer, pipeline, communications (including telecommunications), and power line construction; power distribution and generation; wind energy; forging; steel manufacturing; food manufacturing; grain handling; demolition; warehouses; and health care facilities. There are a multitude of serious safety hazards that workers can be exposed to in these industries.

Health inspections are conducted in general industry and construction and address hazards such as chemical hazards, biological hazards (e.g., blood borne pathogens and tuberculosis), physical hazards (e.g., noise, radiation, and heat and cold stress), and ergonomic hazards (e.g., patient handling, repetitive motion, excessive force, and awkward postures). Safety and health inspections increased from FY 2008 through FY 2012, but dropped from FY 2013 to FY 2016 due to sequestration and decreasing OSHA resources. In FY 2016, OSHA increased its percentage of health inspections with a preliminary result of 6,236 inspections conducted, which was an increase of 0.2% from the previous year. OSHA met 95% of its inspection goal for safety with 25,680 inspections conducted. OSHA continued to allocate significant enforcement resources to employer-reported incidents resulting from OSHA's new severe injury reporting (SIR) requirements. The SIR became mandatory in January 2015 because of OSHA's new recordkeeping and reporting regulation, which requires employers to report to OSHA all work-related hospitalizations, amputations, and losses of an eye. The SIR increased the number of employer-reported referrals, which OSHA addressed through either unprogrammed inspections or non-formal rapid response investigations (RRI). This reduced the time and resources available for programmed inspection activity. The RRI activity that began in January 2015 increased workload by adding almost 7,100 non-formal investigations for the fiscal year.

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 reform, food safety, health care reform, nuclear, pipeline, public transportation agency, railroad, maritime, and securities laws. In FY 2016, OSHA completed more than 3,300 whistleblower investigations, awarding more than $39 million to complainants including 105 reinstatements.

Strategic Goal 2: Ensure workplaces are safe and healthy Strategic Goal 3: Promote fair and high-quality work environments						
Measure	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016*
Total Number of Safety Inspections Conducted	33,320[r]	33,580	31,948	29,356[r]	28,903[r]	25,680[1]
Total Number of Health Inspections Conducted	7,294[r]	7,381	7,280	6,818	6,917[r]	6,236

[1]Preliminary result
[r] Indicates revised result from the FY 2015 AFR.
* Preliminary Data. Complete annual performance results for FY 2016 will not be available before November 2016.

Looking Forward: In FY 2017, OSHA will continue to target the most hazardous worksites and focus on complex hazards that require significant resources, such as fatality and catastrophe investigations, cases that involve process safety management hazards, and investigations of serious and prevalent hazards under OSHA's General Duty Clause. OSHA will continue the use of the Enforcement Weighting System (EWS), which assigns a higher enforcement unit value to these complex inspections noted above, moving the focus from the simple number of inspections completed to the quality and complexity of inspections completed. The EWS will allow OSHA to better manage its resources to make the greatest impact.

In FY 2017, OSHA plans to continue implementing several programmatic changes to its Whistleblower Protection Programs, which OSHA believes will allow the Whistleblower Program to operate more efficiently and effectively. These changes include continuing the agency's planned expansion of the alternative dispute resolution (ADR) process to additional Regions, continuing to prepare for the transition from the Web Integrated Management Information System database to the OSHA Information System database which will help manage investigative caseloads, improving training of whistleblower investigators through new training courses, and posting an electronic version of the revised Online Whistleblower Complaint Form. OSHA also plans to continue its focus on the quality of whistleblower investigations in FY 2017 through direct oversight of investigations by regional whistleblower managers conducting regional focused audits and through the National Office's review of investigative case files under the Section 11(c) Request for Review program.

Wage and Hour Division (WHD)

WHD is responsible for administering and enforcing laws that establish the minimum standards for wages and working conditions. 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 investigators, supervisors, analysts, technicians and administrative employees enforce and administer 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 and Related Acts (DBRA) and Service Contract Act (SCA); the wages and working conditions under the Migrant and Seasonal Agricultural Worker Protection Act (MSPA); 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). WHD's enforcement responsibilities directly contribute to the Department's Strategic

Goal 3, *Promote fair and high–quality work environments*, and related Strategic Objectives 3.2, *Protect workers' rights*, and 3.3, *Secure wages and overtime.*

Since FY 2010, WHD has undergone a significant change in how the agency carries out the mission. Fragmentation of employment relationships and the scope and complexity of industry structures (i.e., fissuring) combined with the growth of the contingent workforce present complex enforcement challenges that require new levels of coordination and strategy.

Establishing strategic enforcement focused on (1) prioritizing industries with the greatest compliance problems and (2) developing strategies that focus on how industries are structured and how that impacts employment relationships and compliance. These business models, where companies outsource key aspects of their production, often lead to less compliance with wage and hour related statutes. Data show that agency-initiated investigations and the strategic use of enforcement resources have positive results for low-wage workers and result in a greater deterrent effect. The first measure below is directed investigations as a percentage of all investigations conducted. In FY 2016, WHD increased the results for "Percent of Directed Investigations," reaching the highest percentage (46%) in recent history. Moving forward, WHD is focused on the challenge of advancing strategic enforcement while identifying areas for increased efficiency.

The second and third measures reflect WHD's commitment to prioritizing enforcement resources in those industries defined by their business models, resulting in tenuous employment relationships for some of the most vulnerable workers. The increased level of directed investigations, as well as prioritization of complaints, has increased the agency's presence in those priority industries which have a history of violations and employ vulnerable workers. Since FY 2010, the agency has maintained a high percent of overall investigations in these priority industries. In FY 2008, WHD found back wages of $57.5 million in certain low-wage industries for 76,900 workers. In FY 2016, WHD found more than $78 million in those low wage industries for over 109,000 workers. Moreover, the average amount of back wages per employee in directed investigations rose from $622 in FY 2009 to $802 in FY 2015 to $896 in FY 2016—a significant increase for low wage workers. For example, those average back wages represent more than a month's worth of rent or nearly 3 months' worth of utility bills. WHD prioritized low wage industries in both complaint and directed investigations while increasing the back wage recoveries per worker in those industries.

Strategic Goal 3: Promote fair and high-quality work environments						
Measure	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Percent of Directed Investigations	29%	41%	44%	44%	42%	46%
Percent of Directed Investigations in Priority Industries	82%	85%	83%	82%[r]	84%	84%
Percent of Complaint Investigations in Priority Industries	66%[r]	67%	68%	67%	67%	68%

[r] Indicates revised result from the FY 2015 AFR.

Looking Forward: The businesses that are covered by this nation's labor standards laws are no longer confined to the traditional brick and mortar companies that operated when the laws enforced by WHD were first enacted. Fragmentation of employment relationships and the scope and complexity of industry structures combined with the growth of the contingent workforce present complex enforcement challenges that require new levels of coordination and strategy. WHD has three strategic priorities to meet these challenges:

1. **Updating a fair day's pay** by ensuring that the regulatory agenda of providing a fair day's pay for a hard day's work is fully and properly implemented;
2. **Building a strategic enforcement structure** to support the agency's mission, vision, and values; and
3. **Modernizing key enforcement initiatives,** such as government contracts and WHD's approach in program enforcement, including addressing the fragmented workplace.

The agency's priorities are supported by performance measures to monitor the organization's progress in achieving strategic enforcement and compliance outcomes. WHD has used a balance of measures to evaluate whether the agency is effective, productive, and consistent in applying new policies and strategies. WHD prioritizes efforts in industries where the problems are greatest, where workers are least likely to complain, and where WHD can have the greatest impact on compliance. The increased level of directed investigations has increased the agency's presence in those priority industries. By focusing on priority industries, WHD also increases the likelihood of detecting instances of misclassification of employees as independent contractors.

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 $9.1 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. In particular, the primary objectives of EBSA's enforcement program are to improve compliance with ERISA; recover losses and unjust profits resulting from misconduct by employee benefit plan fiduciaries and service providers; and increase the deterrent impact of the agency's enforcement efforts on employee benefit plan sponsors, plan administrators and plan service providers. EBSA supports the Department's Strategic Goal 4*, Secure retirement, health, and other employee benefits and, for those not working, provide income security*, and related Strategic Objective 4.2, *Improve health benefits and retirement security for all workers*.

EBSA's enforcement program 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 the three measures listed below that track investigation timeliness. The measures' FY 2016 targets were based on a review of historical data, and EBSA's FY 2016 results fell near or surpassed these targets. In particular, criminal investigations exhibited greater efficiencies than expected. EBSA focused its FY 2016 enforcement resources on National 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.

Strategic Goal 4: Secure retirement, health, and other employee benefits and, for those not working, provide income security						
Measure	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Civil Non-Major Case Timeliness – Percent of Non-Major Civil Cases Closed or Referred for Litigation in the fiscal year within 30 Months of Case Opening except for case categories covered in the measure immediately below	--	--	--	--	84%	87%
Percent of Delinquent Employee Contribution, Abandoned Plan, Bonding, Health-Part 7 Violation, and other Reporting and Disclosure Non-Fiduciary Breach Cases Closed or Referred for Litigation in the fiscal year within 18 Months of Case Opening	--	--	--	--	71%	76%
Criminal Case Timeliness –Percent of Criminal Cases Closed or Referred for Litigation in the fiscal year within 18 Months of Case Opening	--	--	--	--	87%	90%

Looking Forward: In FY 2017, EBSA will 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.

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 the Nation's miners. MSHA supports the Department's Strategic Goal 2, *Improve workplace safety and health* and Strategic Goal 3, *Promote fair and high-quality work environments,* and related Strategic Objectives 2.1, *Secure safe and healthy workplaces, particularly in high-risk industries* and 3.2, *Protect workers' rights.*

MSHA is required to conduct four complete inspections annually at active underground mines and two complete inspections annually at active surface mines. The table below shows the number of inspections for Coal vs. Metal and Nonmetal mine types. Fluctuations in the number of inspections over time reflect variation in the number of mines operating during any given time period. In FY 2016, MSHA performed all mandated inspections.

Supports Strategic Goal 2: Improve workplace safety and health						
Measure	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Regular Mandated Coal Mine Inspections	5,139	5,117	4,658	4,176	3,992[r]	3,095
Regular Mandated Metal and Nonmetal Mine Inspections	16,269	16,620	16,624	16,253	16,518[r]	16,547

[r] Indicates revised result from the FY 2015 AFR.

Looking Forward: In 2017, MSHA aims to further improve miner safety and health via the following strategies: increasing inspection and enforcement effectiveness, strengthening and modernizing training and education, improving mine emergency response preparedness, strengthening health and safety regulations, increasing efforts to protect miners from discrimination and supporting open government.

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 supports the Department's Strategic Goal 3, *Promote fair and high-quality work-life environments,* and related Strategic Objective 3.2, *Protect workers' rights*.

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 Audits Resulting in a Criminal Case (Fallout Rate)." Since the implementation of this performance measure, OLMS has exceeded the fallout rate goal each year with achievements ranging from 13.8% to a high of 21.7%. Timely resolution of union election complaints is a paramount goal of the LMRDA, and OLMS gauges its progress against this goal through the "Number of Days to Resolve Union Officer Election Complaints" measure. In 2009 OLMS established a baseline and since that point has dramatically reduced the average number of elapsed days per case. OLMS continues to exceed this goal.

OLMS is also making it easier for unions, employers, and consultants to file the financial and activity reports required under the LMRDA, and it tracks success in these efforts through the "Percent of LMRDA 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) to introduce and encourage union leaders and other filers to use web-based forms.

Strategic Goal 3: Promote fair and high-quality work-life environments						
Measure	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Percent of Audits Resulting in a Criminal Case (Fallout Rate)	14.9%	13.8%	20.9%	21.7%	21.5%	17.1%
Number of Days to Resolve Union Officer Election Complaints	79	71	71	72	70	67
Percent of LMRDA Reports Filed Electronically	21.4%	37.8%	42.4%	45.0%	49.0%	50.1%

Looking Forward: These results measure progress in the three OLMS high priority programs. In the future, OLMS will focus its efforts on continued improvements. For the fallout measure, OLMS will continue to refine the targeting techniques in an effort to continue saving resources directed at audits and redirecting these saved resources to high priority programs. And while efforts to work closely and cooperatively with the Office of the Solicitor have resulted in dramatic improvement in election case processing, OLMS will explore additional areas of mutual cooperation. OLMS continues to enhance efforts to coordinate work between the National Office 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 that by enhancing this coordination and looking for additional areas of increased efficiency, the number of elapsed days can be further reduced. Finally, in FY 2015, OLMS allocated greater resources to its Voluntary Compliance Partnership (VCP) program, a cooperative effort with 43 international and national unions designed to provide targeted outreach to their affiliates, with one goal being fostering greater use of the electronic filing capabilities of the OLMS web site. In FY 2016, OLMS published a regulation that will require filers of LM-3 and LM-4 reports to do so electronically. Once implemented (in FY 2018), over 80 percent of reports will be required to be filed electronically and electronic filing will be available for 90 percent of the full volume of reports expected to be filed.

POLICY

Women's Bureau (Bureau)

The mission of the Women's Bureau is to develop policies and standards and conduct inquiries to safeguard the interests of working women, advocate for their equality and economic security for themselves and their families, and promote quality work environments. The Bureau is the only Federal office dedicated to serving and promoting the interests of the 72 million women in the U.S. workforce. The Bureau supports the Department's Strategic Goal 3, *Promote fair and high-quality work environments* and Strategic Objective 3.1, *Break down barriers to fair and diverse work places and narrow wage and income inequality*.

The Bureau conducts research to identify and formulate practices and policies and inform strategic interventions aimed at increasing equal economic and employment opportunity and advancement for working women and their families. It recommends these practices and policies within DOL and the Federal government, national organizations and local communities. The Bureau also identifies trends, data gaps, policy and programmatic needs, and promising practices; as well as informs and educates individuals and organizations at the local, state, and national levels about the issues facing women in the labor force.

In FY 2016, the Bureau hosted a paid leave findings symposium for researchers and policy makers, and convened stakeholder groups, state legislators, and businesses in 15 cities to participate in discussions on paid leave policies. To date, the Bureau has awarded over $3 million in grants for its Paid Leave Analysis Grant program. The Bureau also worked with Gallup to conduct a survey of working women to identify women's current employment issues and reasons for exiting the workforce.

In FY 2016, the Bureau also convened a national forum and regional events to discuss the socio-economic factors that contribute to the gender wage gap and identify strategies to mitigate those barriers to equal pay. Additionally, the Bureau collaborated with the Office of Apprenticeship (OA) on initiatives to expand training and career opportunities for underrepresented populations through Registered Apprenticeship.

In FY 2016, the Bureau launched a Portable Retirement Benefits Planning Grant Program to support innovative ways to increase retirement security for workers in a changing labor market, particularly low-wage workers and women, who face a higher risk of poverty in retirement.

Looking Forward: In FY 2017, the Bureau will continue to serve as a strategic coordinator of issue/policy experts, practitioners, businesses and inter- and intra- agency collaborators to elevate the issue of paid leave, as well as to advance and improve women's earning power through opportunities for preparation and training for women in growth and in-demand careers and by advocating for fair and equal wages. The Bureau will disseminate the findings of research it sponsored on the effects of providing child and elder care on women's long-range financial security. The Bureau will also work with the U.S. Census Bureau to include questions related to maternity leave in the 2018 Survey of Income and Program Participation (SIPP).

The Bureau will continue its ongoing public awareness and education efforts, including revamping and revising its popular women's employment rights guide, promoting women's presence in apprenticeships and non-traditional occupations, and developing a guide for stakeholders detailing key provisions for women within the federal workforce development system as administered by WIOA.

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, service providers and non-governmental organizations, and employers to aid them in adoption and implementation. These ODEP activities support the Department's Strategic Goal 3, *Promote fair and high-quality environments* and the associated Strategic Objective 3.1*, Break down barriers to fair and diverse work-places and narrow wage and income inequality*.

ODEP's key performance measures are the numbers of "Policy Outputs", "Effective Practices", and "Formal and Informal Collaborations." "Policy Outputs" include documents recommending or putting in place a significant policy change or an interpretation of existing policy related to disability employment. "Effective Practices" are technical assistance and informational materials developed to aid entities in adopting and implementing proven practices. "Formal and Informal Collaborations" are working relationships between ODEP and governmental and non-governmental entities that help ODEP increase its reach and impact.

ODEP has produced a steady stream of policy outputs, capitalizing on interest by states in implementing effective practices that prioritize competitive, integrated employment and increased interest by employers in hiring people with disabilities spurred by new regulations. In FY 2016, the majority of ODEP's resources were invested in developing effective practices and policy guidance, providing technical assistance, and conducting outreach to support the implementation of legislations such as WIOA as well as Section 501 and Section 503 of the Rehabilitation Act. As developing "Effective Practices" were instrumental to the successful implementation of the referenced legislations, "Effective Practices" increased in FY 2016, achieving an output that exceeds results of the preceding five fiscal years. Additionally, ODEP spent a great deal of effort to promote the adoption of accessible technology through the Partnership for Employment and Accessibility Technology (PEAT) program.

Strategic Goal 3: Promote fair and high quality work environments						
Measure	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Policy Outputs	42	39	54	114	146	123
Effective Practices	44	131	192	153	193	199
Formal and Informal Collaborations	--	--	--	--	364	279

Looking Forward: With the signing of the WIOA, the issuance of updated regulations for Section 503 of the Rehabilitation Act, and the Executive Order to increase hiring of people with disabilities that helps the Government fulfill its responsibilities under Section 501 of the Rehabilitation Act, there are significant legislative and regulatory successes that have the potential to significantly improve the employment of people with disabilities. In order to capitalize on these opportunities, ODEP will target its strategic approaches to compel the entities responsible for executing the new requirements – state agencies, workforce boards, federal contractors, and federal agencies – to adopt effective practices and policies that increase the employment opportunities for people with disabilities.

Bureau of International Labor Affairs (ILAB)

In the global economy, working conditions and compliance with international labor standards shape the opportunities for American and foreign workers. Addressing worker rights and livelihoods overseas helps level the global playing field for American workers, while protecting and promoting the rights of all workers. The Secretary's vision of *promoting and protecting opportunity* requires an inclusive growth strategy to help improve working conditions, raise living standards, protect workers' ability to exercise their rights, and the elimination of workplace exploitation of children and other vulnerable populations.

ILAB has three major strategies for achieving its goal: (1) promoting labor standards through an integrated approach of policy, research, and technical assistance; (2) combatting child labor, forced labor and human trafficking through research and evidence-based programming; and (3) improving workers' rights through targeted labor policy engagement, including monitoring and enforcement of labor provisions of free trade agreements. ILAB supports the Department's Strategic Goal 1, *Prepare workers for better jobs*, and Strategic Objective 1.3, *Advance workers' rights, acceptable work conditions, and livelihoods, particularly for the world's vulnerable populations.*

Looking Forward: ILAB has adopted a multi-pronged strategy to promote worker rights particularly for vulnerable populations through efforts to amend laws, strengthen monitoring and enforcement, improve industrial relations, effectively engage companies, and raise awareness about worker rights and exploitative practices of child labor and forced labor. In FY 2017, ILAB will increase its efforts to monitor and enforce labor provisions of free trade agreements and promote worker rights through technical assistance, continue oversight of over $360 million in grants for over 70 projects operating in over 60 countries, represent the United States in various international meetings, and provide relevant research on forced labor and the worst forms of child labor.

BENEFITS

Office of Workers' Compensation Programs (OWCP)

OWCP is composed of four separate programs that provide workers' compensation benefits supporting the Department's Strategic Goal 4*, Secure retirement, health, and other benefits and, for those not working, provide income security,* and Strategic Objective 4.1, *Provide income support when work is impossible or unavailable and facilitate return-to-work*:

- The *Federal Employees' Compensation Act (FECA) Program* provides wage-loss compensation, payment for medical treatment, return to work assistance, and vocational rehabilitation to civilian employees of the federal government injured at work and to certain other designated groups. In the event of death, FECA provides ongoing monetary compensation to dependents.

- The *Longshore and Harbor Workers' Compensation Act (Longshore) Program* oversees the provision of similar benefits to injured private sector workers engaged in certain maritime and related employment, and by extension to contractors working overseas for the U.S. government under the Defense Base Act.
- The *Black Lung Benefits Act (Black Lung) Program* oversees the provision of monetary compensation and medical benefits to coal mine employees who are totally disabled due to pneumoconiosis arising out of coal mine employment, and monetary benefits to their eligible dependent survivors.
- 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 DOE contractors or subcontractors who worked on the nation's nuclear weapons program and became ill due to exposure to radiation or toxic substances.

One of the FECA program's principal focus areas is to provide 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. The participation of federal employers was reinforced in recent years by Executive Order (EO) 13548 and successive government-wide initiatives, including the Safety, Health, and Return to Employment (SHARE) Initiative (FYs 2004-2009), and the Protecting Our Workers and Ensuring Reemployment (POWER) Initiative (FYs 2011-2014).

EO 13548, of July 26, 2010, directed federal agencies to make special efforts to recruit and hire people with disabilities and ensure the retention of employees injured on the job. Under the EO, agencies are to work to improve, expand, and increase successful return-to-work outcomes by increasing the availability of job accommodations and light- or limited-duty jobs and removing disincentives for FECA claimants to return-to-work.

The SHARE and POWER initiatives set specific performance targets for (non-Postal Service) federal employers for the periods FYs 2004 to 2009 and FYs 2011 to 2014 including:

- Reduction of total injury and lost-time injury rates;
- Improved analysis and reporting of on-the-job injuries;
- Reduction of federal agency lost-production-day rates;
- Increase in the percentage of employees who suffer a serious workplace injury or illness who return-to-work; and
- Required electronic and timely submission of Notices of Injury and Wage-Loss Claims by federal employers.

Federal agencies responded to these initiatives and continue to work constructively with DOL to improve workplace safety, improve injury case management, and increase the number of employees who return-to-work. Although the performance measure, "Government-Wide Lost Production Days (LPD) Rate in Non-Postal Agencies" favorably declined in 2016, the measure is a better indicator of government-wide performance rather than OWCP program performance because of the number of factors involved that are not under OWCP's or DOL's control. The unfavorable decline in the "Percent of Federal Employees With Work-related Injuries or Illnesses Under FECA's Disability Management (DM) That Are Re-employed Within Two Years by Non-postal Agencies" is reflective of the reduction of federal agency resources from Return-to-Work due to budget reductions and the lack of attention to Return-to-Work by agencies.

The Longshore program focuses on employer performance to ensure that injury reports and first payment of benefits are timely and that disputed claims are resolved as quickly as possible. The measure, "Percent of First Payment of Compensation Issued Within 30 days for Defense Base Act Cases" monitors the improvement of insurance carriers and providers in providing compensation to workers injured on the job. In FY 2016, the Longshore program realized improvements from the 2015 regulation change allowing submission of most forms and supporting documentation electronically through the Secure Electronic Access Portal. By accelerating the delivery of documents to Longshore staff, the claims examiners may intervene sooner to assist with resolution of outstanding issues. The FY 2016 result for the aforementioned measure is 70 percent, three percentage points higher than the FY 2015 result and 27 percentage points higher than FY 2009 result. The program expects performance in this area to continue to improve in FY 2017.

For a number of years, the Black Lung program has monitored the timeliness of claim processing for miners with black lung disease through its "Average Number of Days to Process Black Lung Claims" measure. With the passage of the Patient Protection and Affordable Care Act of 2010, which reinstated two provisions in the Black Lung Benefits Act favorable to claimants, the program experienced a significant increase in the number of claims filed in 2010. Another surge was felt in FY 2014; wherein claims volumes exceeded 2010 levels. Fueled by the economic challenges facing the coal mine industry, claims volumes remained high in FY 2015 and in FY 2016 due to an increase in responsible operator bankruptcy filings. As incoming workloads continued to climb, staffing remained level and the pending claims continued to age.

In FY 2016, the Black Lung program set a goal to reduce the volume of pending claims older than 240 days (as of October 1, 2015) by 90 percent and to process all other claims in 265 days on average. As older pending claims were closed, the average time to process a Black Lung claim rose from 273 days in FY 2015 to 334 days in FY 2016. The Black Lung program successfully reduced the volume of pending claims older than 240 days (as of October 1, 2015) by 85 percent. The Black Lung program continued to pursue quality initiatives to ensure that the most accurate decisions are being issued.

The measure, "Average Number of Days Between Filing Date and Final Decision for Cases Not Sent to National Institute for Occupational Safety and Health (NIOSH) When a Hearing is Not Held" focuses on shortening the overall time to make claims decisions on the type of claim most frequently encountered by the program. The Energy program works closely with DOE, the Department of Justice, the Social Security Administration, and NIOSH, as each partner agency has a role in final claims decisions. The average number of days between filing date and final decision for cases not sent to NIOSH when a hearing was not held has fallen from 182 days in FY 2011 to 167 days in FY 2016.

Strategic Goal 4: Secure retirement, health benefits, and other benefits and, for those not working, provide income security						
Measure	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Government-Wide LPD Rate in Non-Postal Agencies (FECA)	33.2[r]	34.5[r]	34.2[r]	31.8	30.4	30.2
Percent of Federal Employees With Work-related Injuries or Illnesses Under FECA's DM That Are Re-employed Within Two Years by Non-postal Agencies (FECA)	91.6%	91.5%	91.9%	90.7%	90.3%[r]	89.1%
Percent of First Payment of Compensation issued Within 30 days for Defense Base Act Cases (Longshore)	56%	63%	67%	63%	67%	70%
Average number of days to process Black Lung Claims (Black Lung)	238	262	221	234	273	334
Average Number of Days Between Filing Date and Final Decision for Cases Not Sent to NIOSH When a Hearing is Not Held (Energy)	182	177	170	166	169	167

[r] Indicates revised result from the FY 2015 AFR.

Looking Forward: In FY 2017, OWCP will consider expansion of the reemployment opportunities for injured workers, increasing the number of injured or ill workers placed in jobs when they cannot be reemployed by their date-of-injury federal employer, and using Labor for America's candidate bank to expand the use of assisted reemployment and increase placement with employers in the public and private sectors. OWCP will continue to strengthen the quality and timeliness of medical examinations, improve stakeholder partnerships and data sharing, and maintain or increase the pool of 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 unemployed workers, providing them with income support when suitable work is unavailable. This program supports Strategic Goal 4, *Secure retirement, health, and other employee benefits and, for those not working, provide income security* and the associated Strategic Objective 4.1 *Provide income support when work is impossible or unavailable and facilitate return to work.* To be eligible for benefits, unemployed workers must meet eligibility requirements established by state laws that conform to federal law, including that they have worked recently, be involuntarily unemployed, and be able and available for work. The "Total Unemployment Rate," calculated using BLS data, 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 is "First Payment Timeliness" (Percent of All Intrastate First Payments Made within 21 Days after the Last Day of the First Compensable Week). Although the FY 2016 "First Payment Timeliness" performance has improved, when compared to FYs 2013, 2014, and 2015, this performance is still below the acceptable level of performance for this measure – 87%. Reasons for the states' inability to achieve the "First Payment Timeliness" performance standard include state staff layoffs, high state staff turnover, and technology issues. The staff layoffs are a consequence of the reduction in administrative funding resulting from lower workloads and an improved economy. States have experienced a high turnover of staff leaving them with a less experienced and trained staff to make claim eligibility determinations which led to workload backlogs in the claims-taking and adjudication units. Additionally, several states have reported technology issues following system modernization efforts or because they have antiquated technology systems. ETA continues to provide intensive technical assistance and enhanced monitoring to underperforming states. The table below provides historical data, along with unemployment statistics.

Strategic Goal 4: Secure retirement, health benefits, and other benefits and for those not working, provide income security						
Measure	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Total Unemployment Rate	9.2%	8.3%	7.6%	6.5%	5.4%	4.9%
First Payment Timeliness[1]	84.6%[r]	82.9%[r]	80.9%[r]	79.7%[r]	83.7%[r]	84.4%[2]

[1]Results have been revised to reflect updated results.

[2]FY 2016 data is for 12-months ending June 30, 2016.

[r] Indicates revised result from the FY 2015 AFR.

Looking Forward: In FY 2016, using the states' performance on the first payment timeliness core measure data, ETA worked with all states failing to meet the performance standard to include corrective action plans (CAPs) to achieve first payment timeliness in their State Quality Service Plans. In addition, using the new methodology for identifying "High Priority" states, ETA selected four states with the poorest overall performance to provide them intensive technical assistance 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.

In FY 2017, ETA UI staff will work with "High Priority" states to develop comprehensive 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 from ETA, and state experts, to conduct a thorough review of the state's administrative and business processes relevant to the poor performance using state-of the-art business

process analysis and process mapping tools, resulting in recommendations and an action plan the state will implement, as appropriate.

- 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(s) of performance deficiency and on-site visits by ETA or partnering with state staff to assess process changes.

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.

STATISTICS

Bureau of Labor Statistics (BLS)

BLS supports the Department's Strategic Goal 5, *Produce timely and accurate data on the economic conditions of workers and their families,* and Strategic Objective 5.1, *Provide sound and impartial information on labor market activity, working conditions, and price changes in the economy for decision making, including support for the formulation of economic and social policy affecting virtually all Americans.*

BLS produces accurate, objective, relevant, timely, and accessible statistics reflecting labor market activity, working conditions, and price changes in the economy. Its mission is to collect, analyze, and disseminate essential economic information to support the public and private decision-making that forms the basis of our democratic, free-enterprise system. 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 E-Government Satisfaction Index (EGSI), formerly known as the American Customer Satisfaction Index (ACSI), to measure customer feedback with its website. The EGSI 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 2016, BLS reached 100 percent of the underlying timeliness, accuracy, and relevance targets for all of its Principal Federal Economic Indicators (PFEIs). BLS experienced fewer average website page views when compared to FY 2015, averaging approximately 16.3 million page views each month. BLS scored higher in the EGSI when compared to FY 2015, with a year-end score of 76. Results for the five performance measures are shown in the table below.

Strategic Goal 5: Produce timely and accurate data on the economic conditions of workers and their families						
Performance Measure	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Percentage of Timeliness Targets Achieved for the Principal Federal Economic Indicators (PFEIs) [1]	100%	100%	100%	100%	100%	100%
Percentage of Accuracy Targets Achieved for the PFEIs [1]	100%	100%	100%	95%	100%	100%
Percentage of Relevance Targets Achieved for the PFEIs [1]	100%	90%	100%	100%	100%	100%

Strategic Goal 5: Produce timely and accurate data on the economic conditions of workers and their families						
Performance Measure	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Average number of BLS website page views each month (Dissemination) [2]	N/A	N/A	N/A	17,423,845	16,965,254	16,324,885
Customer Satisfaction with the BLS website through the E-Government Satisfaction Index (Mission Achievement) [3]	75	77	77	77	75	76

[1] Measure is new beginning in FY 2014. The FY 2011 – 2013 results are shown for trend comparison purposes.
[2] In FY 2015, BLS replaced its dissemination measure due to a change in software. The FY 2014 result is shown for trend comparison purposes.
[3] In FY 2016, the American Customer Satisfaction Index (ACSI) was renamed to the E-Government Satisfaction Index (EGSI). EGSI Score is calculated on a 100 point scale.

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.

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 2016 and FY 2015, 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 $48.7 billion for FY 2016 and $46.4 billion for FY 2015.

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.

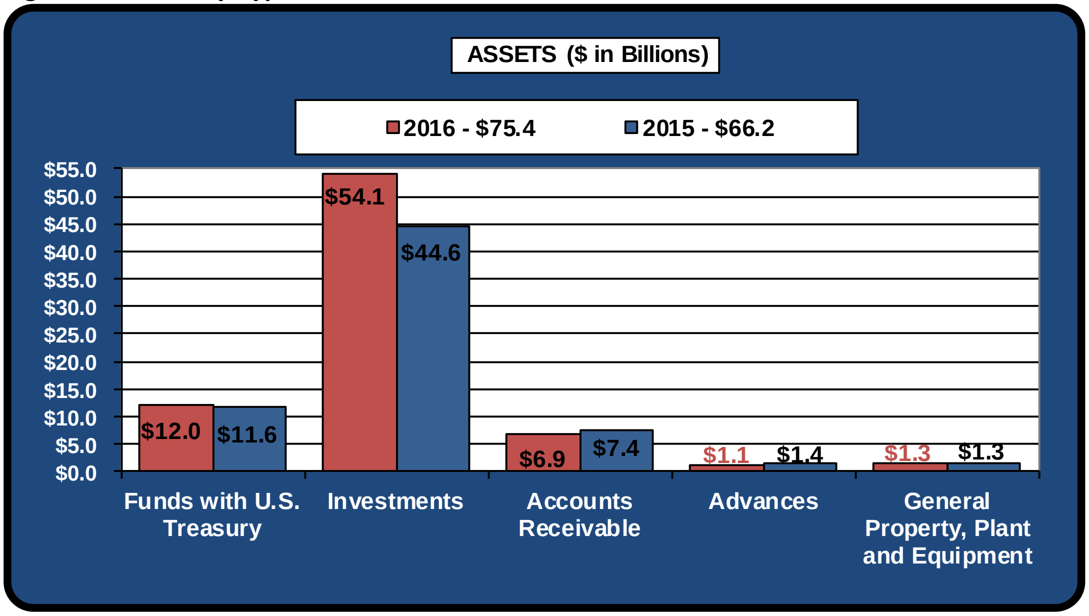
Figure 1: Summary of Selected Financial Data for FY 2016 and FY 2015

(Dollars in billions)	2016	2015	Change Amount	Change Percent
Financial position				
Total assets	$ 75.3	$ 66.2	$ 9.1	13.7%
Funds with U.S. Treasury	12.0	11.6	0.4	3.4%
Investments	54.1	44.6	9.5	21.3%
Total liabilities	$ 34.8	$ 37.7	$ (2.9)	(7.7)%
Debt	14.3	18.5	(4.2)	(22.7)%
Net cost of operations				
Net cost of operations	$ 48.7	$ 46.4	$ 2.3	5.0%
Income maintenance	39.8	37.6	2.2	5.9%
Employment and training	6.3	6.2	0.1	1.6%
Budgetary resources				
Appropriations (discretionary and mandatory)	$ 47.6	$ 46.9	$ 0.7	1.5%
Agency outlays, net (discretionary and mandatory)	46.5	46.2	0.3	0.7%

Financial Position

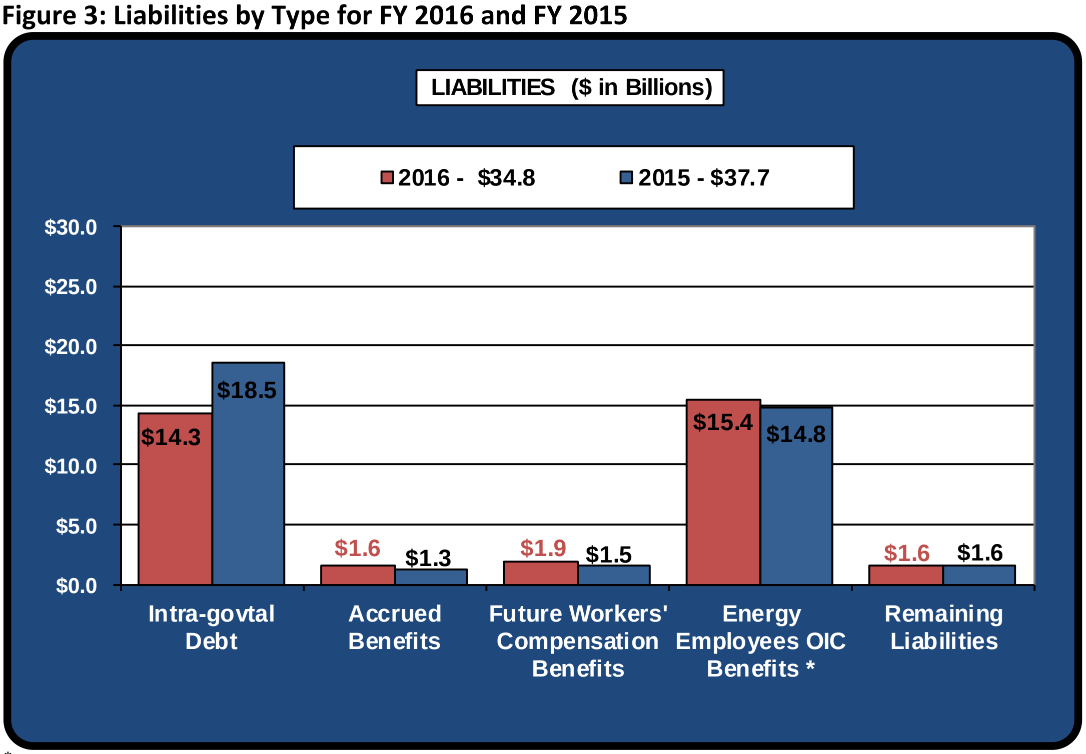
The Department's Balance Sheet presents DOL's financial position through the identification of agency assets, liabilities, and net position, as shown below. The Department's total assets increased from $66.2 billion at the end of FY 2015 to $75.3 billion at the end of FY 2016, an increase of $9.1 billion, 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 2016 and FY 2015.)

Figure 2: Assets by Type for FY 2016 and FY 2015



Total liabilities decreased from $37.7 billion at the end of FY 2015 to $34.8 billion at the end of FY 2016, a decrease of (7.7)%. This decrease was primarily due to a decrease in intra-governmental debt of (22.7)% due to UTF repayments of borrowings from the General Fund of the Treasury as tax collections by the states exceeded the requirements for benefit payments; offset by increases in future workers' compensation benefits of $0.4 billion and accrued benefits of $0.3 billion. Future workers' compensation benefits increased primarily due to an increase in projected benefits under the War Hazards Compensation Act for actuarial projections based on claims data; accrued benefits increased primarily due to an increase in State regular and extended unemployment benefits payable which corresponded with an increase in claims that may be related to, among other things, sectors of the economy affected by changes in oil prices.

Figure 3: Liabilities by Type for FY 2016 and FY 2015

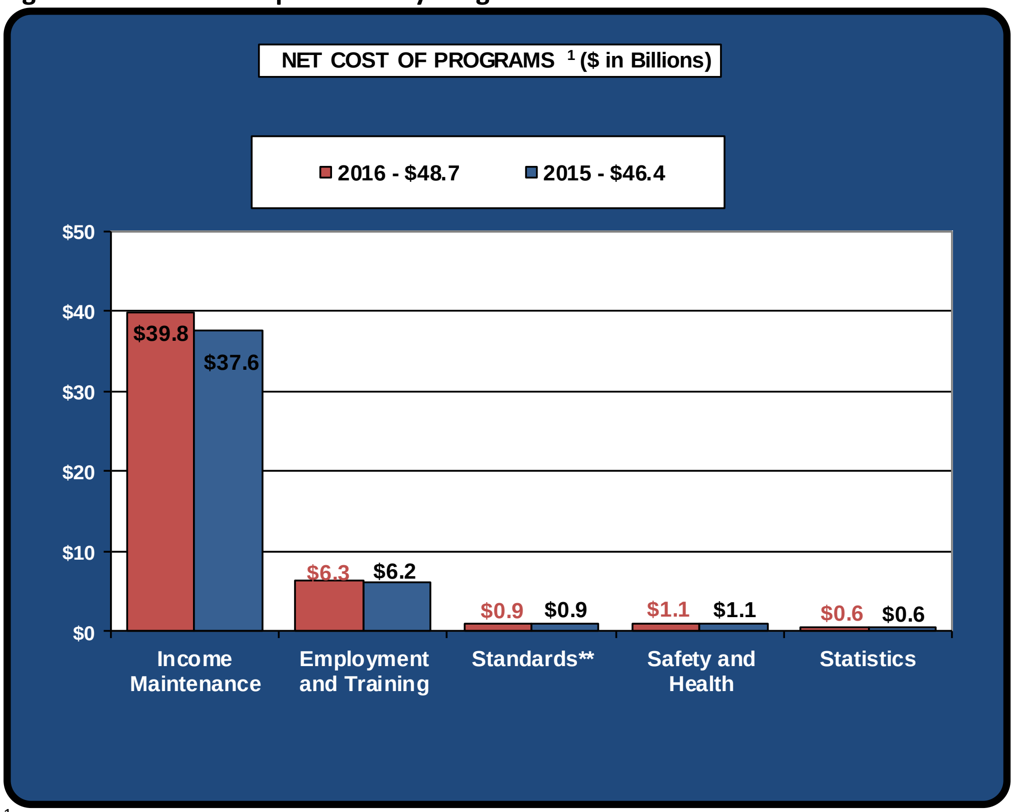


* OIC = Occupational Illness Compensation.

Net Cost of Operations

The Department's net cost of operations for the year ended September 30, 2016, was $48.7 billion, an increase of $2.3 billion 5.0% from FY 2015. This increase was attributable to the increases in the program costs discussed below:

Figure 4: Net Cost of Operations by Program for FY 2016 and FY 2015



[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 2016 and FY 2015, 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, 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 $39.8 billion in FY 2016, an increase of 5.9% from FY 2015. This increase was primarily due to increases in the expenses which corresponded with the increases in liabilities for the future workers' compensation benefits from the War Hazards Compensation Act (as described in the liabilities section above) and, similarly, the increases in liabilities for the Energy employees occupational illness compensation benefits for actuarial projections based on claims data.

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 net costs were relatively unchanged in FY 2016 compared to FY 2015.

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 2016 and FY 2015, as well as the status of these resources at the end of each fiscal year. During FY 2016, total budgetary resources increased $0.7 billion or 1.5% from $58.1 billion to $58.8 billion, primarily due to the increase in appropriations from $46.9 billion to $47.6 billion. Agency outlays, net increased $0.3 billion or 0.7% from $46.2 billion to $46.5 billion primarily due to lower distributed offsetting receipts of $0.3 billion from lower collections for employer reimbursements and interest from loans to states.

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 Statements of Social Insurance (SOSI) and Statements 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 September 30 of the reporting year and ends September 30, 2040), for current participants (closed group), new participants, and current and new participants (open group), 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 to disabled coal miners and dependent survivors.

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

In FYs 2012 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 2012 through 2015, 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 closed group and the 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. Accordingly, for FY 2016 reporting, the SOSI presents values for the closed group, new participants, and open group.

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. To calculate the closed group measure, closed group values exclude values for the new participants: the pro-rated present value of estimated future administrative costs for the closed group and the actuarial present value of future benefit payments for the closed group are subtracted from the pro-rated present value of estimated future coal excise tax income for the closed group. To calculate the open group measure, open group values include values for the closed group and the new participants: the present value of estimated future administrative costs for the open group and the actuarial present value of future benefit payments for the open group are subtracted from the present value of estimated future coal excise tax income for the open group.

As presented in the SOSI, for FY 2012 through FY 2016, the open group measure has been positive; however, the open group measure has declined from about $4.7 billion to $890 million primarily due to a combination of lower excise tax income and higher administrative costs.

Figure 5: Black Lung Disability Benefit Program - Table of Key Measures for FY 2016 and FY 2015

Black Lung Disability Benefit Program – Table of Key Measures				
			Change	
(Dollars in millions)	2016	2015	Amount	Percent
Financial position				
Total assets	$ 113.8	$ 54.9	$ 58.9	107.3%
Less: total liabilities	(5,718.3)	(5,699.1)	(19.2)	(0.3)%
Net position (assets net of liabilities)	$ (5,604.5)	$ (5,644.2)	$ 39.7	0.7%
Costs and changes in net position				
Net cost of operations	$ (339.5)	$ (382.8)	$ 43.3	11.3%
Total financing sources	379.3	493.9	(114.6)	(23.2)%
Net change of cumulative results of operations	$ 39.8	$ 111.1	$ (71.3)	64.2%
Social insurance				
Open group measure, beginning of year	$ 1,596.7	$ 4,482.8	$ (2,886.1)	(64.4)%
Open group measure, end of year	$ 890.0	$ 1,596.7	$ (706.7)	(44.3)%

The decrease in the net cost of operations for the year ended September 30, 2016 of $43.3 million [11.3%] from FY 2015 was mainly due to a decrease in costs for benefits. FY 2016 total financing sources decreased $(114.6) million [(23.2)%] from FY 2015 mainly due to decreases in tax collections. The resulting net change of cumulative results of operations for FY 2016 was $39.8 million, a decrease of $(71.3) million [64.2%] from FY 2015.

Total assets increased $58.9 million [107.3%] at the end of FY 2016 primarily due to an increase in the Funds with U.S. Treasury balance from September 30, 2016 borrowing to finance operations of the fund. Liabilities increased $19.2 million [0.3%] at the end of FY 2016 due to net effects of additional borrowing at September 30, 2016 and repayments of debt that matured on September 30, 2016. The resulting net position (deficit) decreased $39.7 million at the end of FY 2016.

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; and in FY 2015, the open group measure decreased by $(2,886.1) million primarily due to projected lower coal excise tax revenues and higher administrative costs, offset in part due to lower beneficiary costs and the change in interest rates used to discount the cash flows from 2.50% and 2.63% in FY 2014 to 2.25% for income payments, medical payments, administrative expenses, and coal excise tax collections in FY 2015.

In FYs 2015 and 2016, the lower projected coal excise tax revenues reflect, among other things, regulation pursuant to the Clean Power Plan (CPP). In February 2016 the U.S. Supreme Court stayed implementation of regulation pursuant to the CPP due to litigation pending in the U.S. Court of Appeals; as of September 30, 2016 the stay remained in effect. DOL did not change its sources or approaches for estimating future excise tax income because of the stay.

The total of open group measure plus fund assets as of September 30, 2016, of $1,003.9 million represents a projected net positive cash flow that may be used to liquidate the liabilities of the BLDTF, which were $5,718.3 million as of September 30, 2016.

Refer to Notes 1-W, 1-Y, 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 2040.

Limitations on the Principal Financial Statements

As required by the Government Management Reform Act of 1994 (31 USC 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.

Reducing Improper Payments

Improved financial performance through the reduction of improper payments (IP) is a key financial management focus of the Federal government. At DOL, developing strategies and the means to reduce IP is a matter of good stewardship. Accurate payments lower program costs and allow us to focus on the mission.

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)[1], requires Federal agencies to identify and reduce IP, and to report annually on our efforts per OMB guidance in OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*. DOL performs testing to estimate the rates and amounts of IP, establishes IP reduction targets in accordance with OMB guidance, and develops and implements corrective actions.

IPERA Section 2(a) requires agency heads to "review all programs to identify risk susceptibility for improper payments every three years." The last Department-wide risk assessment was performed in FY 2014 based on criteria prescribed in IPERA Section 2(a)3(b).

Based on DOL's FY 2014 Department-wide risk assessment, two programs, the UI and FECA benefit programs, are required to provide IP rate estimates in FY 2016, based on the susceptibility threshold in statute[2]:

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

One additional DOL program area, the Workforce Investment Act (WIA) of 1998 Title I programs (WIA Programs), provided estimates based on inclusion in Exhibit 57B, Section 57, of OMB Circular A-11 (2002)[3]. Although Section 57 was rescinded in 2003, these programs continued to provide IP information beyond that which is required by IPIA.

On July 22, 2014, the President signed WIOA into law. WIOA supersedes WIA. Funding under WIA ended on June 30, 2015. The Department remains strongly committed to mitigating IPs for all new programs authorized by WIOA.

Risk assessments of programs newly authorized by WIOA were conducted in FY 2016. These risk assessments indicated that all WIOA authorized programs reviewed are not susceptible to significant improper payments and did not support IP reporting under A-123, Appendix C guidance.

[1] IPIA, Public Law (P.L.) 107-300 (2002); IPERA, P.L. 111-204 (2010); IPERIA, P.L. 112-248 (2013). Codified at 31 U.S.C. 3321 note.
[2] IPERA §2(a)(3)(A)(ii)(I) and (II).
[3] In July 2001, OMB issued Section 57, *Information on Erroneous Payments*, as part of the 2002 revision to Circular A-11, *Preparation, Submission, and Execution of the Budget*. Exhibit 57B of Section 57 listed programs required ". . . to provide improper payment data, assessments and action plans with initial budget submission beginning in 2003." All "benefit programs" exceeding obligations of $2 billion were included on Exhibit 57B.

DOL has implemented various corrective actions to address the causes and to reduce IP in all programs. Like many other Federal agencies, the DOL faces challenges in meeting its IP reduction and recovery targets, particularly with programs that are sensitive to economic fluctuations and natural disasters.

Additionally, meeting IP reduction and recovery targets for programs such as UI are contingent upon the cooperation and support of state agencies and other outside stakeholders who are responsible for the day-to-day administration and management of these programs' payments and activities. In contrast to most other Federal benefit programs, the Federal-state partnership creates complexities leading to significant challenges in controlling IP in the UI program. These complexities include varied state UI laws and resource capacities under which the program is administered; structural impediments such as the legal requirement to pay UI benefits "when due" causing states to make payments before all eligibility information has been received and verified; and aging IT systems.

DOL Programs Required to Submit Improper Payments Estimates

Program	Requirement Based on...	Estimated Rate	FY16	FY 15
Unemployment Insurance (UI) [1]	Risk analysis	Improper Payment Rate (Overpayments plus Underpayments):	11.65%	10.73%
		Overpayment Rate	11.19%	10.29%
		Underpayment Rate	0.46%	0.44%
		Net Improper Payment Rate (Improper Payment Rate Minus Amounts Recovered by States)	8.70%	7.28%
		Improper Payment Rate Minus "Work Search" Errors	7.69%	7.95%
Federal Employees' Compensation Act (FECA) [1]	Risk analysis	Improper Payment Rate (Overpayments plus Underpayments)	3.54%	2.87%
Workforce Investment Act (WIA) Title I Programs	Inclusion in Exhibit 57B of OMB Circular A-11 (2002)	Rate of funds with Possible Eligibility Issues under Single Audit Act	NA [2]	<0.88%

Note: [1] Covers the 12-month period from July 1, 2014 through June 30, 2015. [2]- Funding under WIA ended on June 30, 2015.

See the **Improper Payments Reporting Details** in the *Other Information* section of this report for detailed information on payment integrity.

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 2016, NCFMS was supported by the Enterprise Service Center (ESC), a franchise fee chartered organization within the Federal Aviation Administration (FAA), an independent agency of the Department of Transportation (DOT), to operate and maintain NCFMS. During the last quarter of FY 2016, as a cost savings and contract efficiency measure, the Department contracted directly for NCFMS operations and maintenance services. The Department continues to move forward with efforts to transition to a Federal Shared Services Provider for financial management services.

During FY 2017, the Department will work with the Unified Shared Services Management (USSM) office, under 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. The M3 framework is the successor to the Treasury Office of Financial Innovation and Transformation (OFIT) Federal Agency Migration Evaluation (FAME) process. DOL began the Treasury OFIT FAME process in FY 2015, which is now mandated by USSM through the M3 framework and is designed to help the government achieve successful outcomes and reduce risk during administrative system and/or service modernizations and migrations.

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 Enterprise Risk Management and 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, 2016. The material weakness regarding lack of sufficient information technology general controls over key financial feeder systems identified during the FY 2015 financial statement audit was updated and continued into FY 2016. A material weakness was identified during the FY 2016 financial statement audit related to improvements needed in estimating future excise tax income used in the Statement of Social Insurance. DOL agrees with the financial statement audit material weaknesses and expects to implement corrective actions in FY 2017.

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, 2016, 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 material weaknesses related to lack of sufficient information technology general controls over key financial feeder systems and improvements needed in estimating future excise tax income. 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, 2016.

Thomas E. Perez
Secretary of Labor

Christopher P. Lu
Deputy Secretary of Labor

Geoffrey Kenyon
Principal Deputy CFO

Edward C. Hugler
Acting Assistant Secretary for Administration and Management

December 15, 2016

FINANCIAL SECTION

Message from the Chief Financial Officer

The Department of the Labor (DOL) received its 20th unmodified opinion on its consolidated financial statements in the FY 2016 independent audit. We are proud of this sustained achievement. It is a reflection of DOL's commitment to sound financial stewardship of taxpayer dollars. The Office of the Chief Financial Officer (OCFO) Strategic objectives are our bedrock; demonstrating financial stewardship, providing outstanding customer service, and enhancing financial performance, operations, and systems.

Geoffrey Kenyon
Principal Deputy Chief Financial Officer
Department of Labor

OCFO's Mission

"The Office of Chief Financial Officer (OCFO) is responsible for the financial leadership of DOL and its primary duty is to uphold strong financial management and accountability while providing timely, accurate, and reliable financial information and enhancing internal control."

OCFO AT A GLANCE

In last year's Message, I talked about the enormous challenge DOL faced when our financial management system provider collapsed into bankruptcy. DOL led a multi-agency effort to secure these legacy systems, reintegrate them for continued use, and begin the process of transition. As a result of extensive collaboration with our Federal partners, DOL has taken back possession and operational control of the financial management system. DOL and OCFO are committed to moving forward with efforts to transition to a Federal Shared Services Provider for financial management services.

In February of this year, OCFO was successful in implementing the 2nd Generation Government-wide Electronic Travel System (ETS2). ETS2 builds on the success of the first generation ETS, enabling the Department in its mission to ensure a strengthened travel operations environment, complete with a robust funds management platform, comprehensive reporting capabilities, and improved internal controls.

LOOKING FORWARD

In the coming fiscal year, we look forward to taking on new challenges and opportunities. Our independent auditor updated and reissued the FY 2015 material weakness regarding the lack of sufficient information technology general controls over key financial feeder systems. During the past year, DOL made significant strides regarding the closeout of this prior material weakness. Additionally, the independent auditors issued a new material weakness concerning deficiencies in estimating future excise tax income. These estimates are used in the Statement of Social Insurance. DOL recognizes the importance of implementing adequate safeguards in its information systems and having reliable estimates for the outlook of future social insurance activities. We will endeavor to eliminate these weaknesses in FY 2017.

At the end of October, the Department took a step toward improving the efficiency of the Department's resource allocation processes by bringing DOL's Departmental Budget Center (DBC) into OCFO. I believe this realignment will also improve the oversight of the Department's financial operations by breaking down silos between budget planning, execution, and systems. The Department now has one central authority for all financial issues.

DOL has begun ramping up efforts to comply with the Digital Accountability and Transparency Act (DATA Act). The DATA Act aims to increase fiscal transparency by making Federal spending data accessible, searchable and reliable.

It will also afford taxpayers the opportunity to better understand the impact of Federal funds in improving their lives. This large undertaking has been challenging in terms of time and resources but the Department is set to be up and running by May 2017.

This Agency Financial Report provides timely information that the American public can use to better understand DOL and its programs. The sections that follow in this report provide extensive financial information outlining the hard work done by OCFO and DOL staff. We hope that you find it useful and an informative showcase of our efforts toward bringing you greater transparency and accountability.

Geoffrey Kenyon
Principal Deputy Chief Financial Officer
December 15, 2016

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

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, 2016 and 2015, 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 2015 sustainability financial statements, which comprise the statements of social insurance as of September 30, 2015, 2014, 2013, and 2012; the statements of changes in social insurance amounts for the year ended September 30, 2015; and the related notes to the 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; and the related notes to the 2016 sustainability financial statements.

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 opinions on these financial statements based on our audits. We conducted our audits of the consolidated financial statements and the 2015 sustainability financial statements in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the 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 2015 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.

Basis for Disclaimer of Opinion on the 2016 Sustainability Financial Statements

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.

Disclaimer of Opinion on the 2016 Sustainability Financial Statements

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 year then ended. Accordingly, we do not express an opinion on the sustainability financial statements as of and for the year ended September 30, 2016.

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, 2016 and 2015, 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 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, 2015, 2014, 2013, and 2012 and its changes in social insurance amounts for the year ended September 30, 2015, in accordance with U.S. generally accepted accounting principles.

Emphasis of 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 a projection period ending in 2040. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services

KPMG

and to meet obligations 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 2015 opinion is not modified with respect to this matter.

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 Message from the Secretary of Labor, Message from the Chief Financial Officer, and 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.

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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, 2016, 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 DOL's internal control. Accordingly, we do not express an opinion on the effectiveness of 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*.

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, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. 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 I to be material weaknesses.

Had we been able to perform all of the procedures necessary to express an opinion on the 2016 sustainability 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 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 of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 15-02.

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 of FFMIA disclosed no instances in which DOL's financial management systems did not substantially comply with: (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Had we been able to perform all of the procedures necessary to express an opinion on the 2016 sustainability financial statements, other matters involving compliance with certain provisions of laws, regulations, contracts, and grant agreements may have been identified and reported.

KPMG

DOL's Response to Findings

DOL's responses to the findings identified in our audit is described in Exhibit II. 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 DOL's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 15, 2016

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

During our testing of entity-level controls (ELC) and general information technology controls performed as part of the fiscal year (FY) 2016 audit of the U.S. Department of Labor's (DOL) consolidated financial statements, we noted that management did not have consistent procedures in place to ensure:

- A sufficient risk assessment was conducted over the information technology (IT) control environment to identify the root causes of identified deficiencies,
- The performance of IT controls that functioned effectively in the past did not deteriorate, and
- The implemented milestones and corrective actions to remediate IT deficiencies were tracked and completed timely.

Specifically, management charged with oversight and accountability for the DOL IT control environment had not taken appropriate action to address ongoing pervasive deficiencies that had been identified in multiple key financial feeder systems and reported to management as a material weakness or significant deficiency since FY 2003. 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. Table 1 below provides a summary of IT control deficiencies included in our audit reports on DOL's consolidated financial statements since FY 2006.

Table 1: Summary of IT Control Deficiencies Included in Our Audit Reports Since FY 2006

Control Category	Control Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
IT Entity-Level Controls												
Access Controls	Incident Response*											
	Account Authorization											
	Account Recertification											
	Account Termination											
	Logical Access											
	Identification and Authentication											
	Production Infrastructure Layer Separation of Duties (SoD)											
	Audit Logging											
	Third Party Oversight											
	Data Center Access Authorization											
	Account Inactivity											

*Note: Beginning in FY 2014, we classified incident response deficiencies in the ELC category.

Control Category	Control Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Configuration Management	Application Software Changes	Red	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
	Production and Development Environment SoD	Green	Green	Green	Green	Green	Red	Red	Green	Red	Red	Red
	Patch Management	Red	Red	Red	Red	Red	Red	Green	Green	Red	Red	Red
	Vulnerability Management	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red

Legend	
Red	Included in audit report in the FY
Green	Not included in audit report in the FY
Gray (hatched)	Control not in scope for the FY

In summary, during our FY 2016 testing of significant DOL financial and support systems in the four DOL agencies responsible for them, we identified 14 new control deficiencies, 41 previously-reported deficiencies that were not corrected or not corrected timely, and 19 previously-reported deficiencies for which DOL agencies completed sufficient corrective action in FY 2016.

We classified the deficiencies identified into the following categories: account management and system access settings, configuration management, system audit log configuration and reviews, and patching and vulnerability management.

The first category summarizes the identified deficiencies related to controls that were designed to help prevent unauthorized access to IT systems. Control deficiencies related to account management and system access settings increase the risk that current employees, separated employees, and/or contractors may obtain unauthorized or inappropriate access to financial systems and/or data. Such access could lead to unauthorized activities and/or inappropriate disclosures of sensitive data. System access setting control deficiencies may be exploited, in either a singular fashion or in combination, by a malicious user, which may affect the confidentiality, integrity, and/or availability of DOL systems and data. The specific FY 2016 deficiencies identified in this category were as follows:

Account Management and System Access Settings

- Certain application and network user accounts were not timely removed for separated users;
- Certain application and network separated users had active accounts and accessed their accounts 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;
- Account management controls were not consistently performed, as evidenced by roles that were improperly authorized and provisioned in conflict with separation of duties principles, insufficient access re-certifications, lack of separation of duties matrices, and missing or insufficient access requests;
- Certain generic accounts did not have business justifications, and management could not identify who had access to the accounts; and
- Certain password and inactivity settings did not comply with the Office of the Chief Information Officer Computer Security Handbook.

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 2016 audit procedures that account management controls were not consistently implemented over developers with access to perform configuration management changes, as evidenced by incomplete re-certifications. The lack of consistently implemented configuration management controls 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 and system access settings risks, we identified during our FY 2016 audit procedures that certain audit logs were not captured, 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.

Patching and Vulnerability Management

Controls related to patching and vulnerability management are designed to prevent weaknesses in IT systems from being exploited. Such controls include proactively monitoring system vulnerabilities, timely patching related security issues, and configuring IT systems in compliance with baseline security requirements. During our FY 2016 audit procedures, we identified numerous critical and high-risk operating system patches and configurations that were not implemented timely. Additionally, we noted that certain database infrastructures were configured on unsupported versions instead of the latest supported versions from the vendors.

Vulnerabilities that are not remedied in a timely manner may result in information leaks or system threats. These vulnerabilities may also disrupt normal system processes, allow inappropriate access, prevent updates from being implemented, and jeopardize the integrity of financial information. Additionally, vulnerabilities that are not remedied or mitigated can present an opportunity to circumvent account management, system access settings, and audit logging controls. Furthermore, not upgrading to a vendor-supported database increases susceptibility to threats and vulnerabilities developing after the database's 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.

Collectively, the aforementioned IT control deficiencies pose a significant 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 systems impacted by them, have been communicated separately to management. These deficiencies were the result of issues in the design, implementation, or monitoring of departmental procedures and controls. DOL agencies have not invested 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*, and the Government Accountability Office's *Standards for Internal Control in the Federal Government* (GAO-14-704G), provide federal information systems standards and guidelines for controls that include, but are not limited to, the controls in which deficiencies were identified.

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

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, system access settings, configuration management, system audit log configuration and reviews, and patching and vulnerability 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 II for management's response.

Auditors' Response: During the audit period, management was provided opportunities to provide additional information in response to our findings when they were first identified through the formal reporting process. Of the 61 individual findings that we issued during the audit, management non-concurred with 13 of them, but did not provide a response to the findings to indicate the basis for non-concurrence or additional information to dispute the findings. The plans outlined in management's response alone do not sufficiently reduce identified risks that have been impacting DOL information security controls for the past 10 years.

In accordance with auditing standards generally accepted in the United States of America, we considered the deficiencies noted above during our FY 2016 audit individually and in the aggregate. In our professional judgment, the aggregation of these deficiencies results in a material weakness. Although management stated that they do not concur with our categorization of these deficiencies as a material weakness, they plan on taking steps to address them. We will conduct follow-up procedures in FY 2017 to determine whether corrective actions have been developed and implemented.

2. Deficiencies in Estimating Future Excise Tax Income

For purposes of preparing DOL's FY 2016 sustainability financial statements for the projection period of FY 2017 through FY 2040, management estimated future excise tax income using two approaches, one for the first ten years in the projection period and one for the remaining years. For the first ten years (i.e., FY 2017 through FY 2026), DOL used as a calculation input excise tax projections that the U.S. Department of the Treasury's Office of Tax Analysis (OTA) prepared for the *Mid-Session Review, Budget of the U.S. Government*. 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 its initial projection, DOL estimated future excise tax income of $524 million for FY 2017.

As part of the Office of the Chief Financial Officer's (OCFO) procedures over estimated future excise tax income, the OCFO performed certain analyses in late October 2016. Based on these analyses, the OCFO determined that actual excise taxes received in FY 2016 of $439.6 million decreased significantly because of the poor condition of the coal industry. However, DOL's procedures did not require a change to the estimated future excise tax income as of September 30, 2016 based on such contradictory evidence.

The actual excise taxes received by DOL for the 9-month period ended June 30, 2016 and the year ended September 30, 2016, decreased by 16 percent and 20 percent, respectively, when compared to the same period in the prior year. These changes correlated with the decrease in coal production reported by the U.S. Energy Information Administration. However, we determined that DOL had not designed and implemented procedures and controls to monitor and assess benchmarking information related to key economic assumptions relevant to the coal industry throughout the year.

After we discussed these matters with management, DOL revised its estimated future excise tax income projection for FY 2016 in late November. This revision caused the initial amount of the present value of estimated future excise tax income for the projection period reported in the statement of social insurance to decrease by approximately $427 million.

Although DOL ultimately revised its estimated future excise tax income projection, management had not designed and implemented relevant policies and procedures to:

- Determine the completeness and accuracy of certain underlying assumptions related to the coal industry, such as growth or decline in coal production; and
- Analyze the reasonableness of proposed changes to its estimate or estimation methodology prior to implementation.

Because of the insufficient policies and procedures noted above, DOL also did not properly design and implement controls that operated at a sufficient level of precision to prevent or detect and correct material misstatements in the estimate of future excise tax income. As a result, management was unable to provide sufficient analyses or other documentation to support the revised estimated future excise tax income methodology and certain underlying assumptions used in the final FY 2016 sustainability financial statements.

The following criteria are relevant to the conditions noted above:

- Statement of Federal Financial Accounting Standard No. 17, *Accounting for Social Insurance*, paragraph 25 states:

  > The projections and estimates should be based on the entity's reasonable estimates of demographic and economic assumptions, taking each factor individually and incorporating future changes mandated by current law.

- The Government and Accountability Office's *Standards for Internal Control in the Federal Government* (the Standards), Sections 12.02 and 12.03 state:

  > Management documents in policies the internal control responsibilities of the organization. Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness.

- Section 13.04 of the Standards states:

  > Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.

To address the deficiencies noted above, we recommend the Principal Deputy Chief Financial Officer perform the following to enhance the existing policies, procedures, and controls:

a) Identify and document the benchmarking information related to key economic assumptions that should be monitored and assessed throughout the year to determine the reasonableness of the assumptions used to determine the estimated future excise tax income projection.
b) Establish documentation requirements for these periodic assessments, and develop and implement appropriate supervisory review of the assessment and the conclusions contained therein. This review should be documented.
c) Clearly establish when changes in economic conditions warrant revisions to the underlying assumptions used in the estimated future excise tax income projection.
d) Develop and implement a control to analyze changes to the estimated future excise tax income projection for reasonableness before changes are implemented. This analysis should be documented and retained.
e) Develop and implement procedures and controls to obtain and review the details of OTA's key excise tax assumptions to determine if the assumptions are reasonable. This review should be documented.

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

Auditors' Response: We will conduct follow-up procedures in FY 2017 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

DEC 15 2016

MEMORANDUM FOR: ELLIOT LEWIS
Assistant Inspector General for Audit

FROM: GEOFFREY KENYON
Principal Deputy Chief Financial Officer

SUBJECT: FY 2016 Independent Auditor's Report on DOL's Consolidated Financial Statements Draft Report Number: 22-17-002-13-001

Attached please find management's response to Draft Report No. 22-17-002-13-001, FY 2016 Independent Auditor's Report.

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

Please let me know if you have any questions.

Attachment

cc: Karen Tekleberhan, Deputy Chief Financial Officer
Edward C. Hugler, Acting Assistant Secretary for Operations
Gundeep Ahluwalia, Acting Chief Information Officer
Robert Balin, OCFO Audit Liaison

Management Response
Fiscal Year 2016
Independent Auditor's Report

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

Management agrees that several of the findings cited in the report must be addressed. However, as in previous audit engagements, management stresses our continuing requests that the analysis behind a material weakness or significant deficiency finding *connecting* it to the risk of misstatement of financial statement be included in the audit reports. We find this year's auditor's report once again lacking in this regard.

That said, the security of DOL's information and information systems is one of the Department's top priorities, and we remain committed to ensuring the Department implements safeguards to protect its information and information systems. To this end, we developed and implemented corrective actions to address or significantly lower the risk associated with the findings of the independent auditor's report. With this in mind, we have made several advances in each of the areas referenced in the report as outlined below.

Expanded DOL's PIV card logon implementation resulting in 100% of our privileged users and 98% of our general users being required to access DOL networks with their PIV card. Expanded DOL's continuous monitoring program via the deployment of additional security monitoring tools such as WebInspect, DBProtect, and Nessus Security Center, as well as acquired network security monitoring services for network Intrusion Detection and Prevention, web content filtering, and Internet Anti-virus blocking. Increased monitoring of DOL vulnerability and patch management programs and implemented a weekly Enterprise Cybersecurity Patch and vulnerability management dashboard reporting process resulting in a 95% decrease in the number of outstanding vulnerabilities and patches. Updated DOL security policies requiring the implementation of more stringent IT security procedures.

In addition to the advances mentioned above, we also developed and implemented an Enterprise Cybersecurity Corrective Action Plan (CAP). The CAP was an enterprise effort implemented to ensure foundational improvements were made in the areas of Access Management, Vulnerability Management, Configuration Management, and Third Party Oversight. In many instances, the CAP further required immediate security control implementation such as: modification to access control procedures including requiring out of cycle user account reviews (privileged and general user accounts) be performed resulting in immediate improvement.

Building upon the FY 2016 progress, in Q1 FY17 DOL will review and update its Enterprise Corrective Action Plan (CAP). Among other planned corrective actions, the CAP will incorporate remediation activities to address the identified vulnerabilities more holistically and will expand its continuous monitoring efforts to include more frequent oversight monitoring of agencies corrective action plan implementation. Included in this CAP will be verification reviews to ensure account management and configuration management procedures are implemented consistently across DOL's operating environment. Additionally, we will expand

DOL's current Enterprise audit log capability with log correlation tools to ensure security logs are properly captured and procedures are updated for ongoing log reviews. DOL will also complete its planned DHS Einstein 3 implementation to strengthen DOL's network security perimeter defenses.

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

2. Deficiencies in Estimating Future Excise Tax Income

Management continually seeks to improve its policies and procedures and respond to issues identified during the audit. DOL will continue to improve its policies and procedures by conducting analyses on a monthly basis and at third quarter on the financial position and results of operations for the BLDTF and document the analyses of variances in a manner similar to the financial analyses already performed on other agencies. By implementing these procedures, DOL will document variances and better anticipate their effects on financial reporting.

The Office of Tax Analysis (OTA) informed DOL that some of the details of the key excise tax assumptions are not public information, and therefore could not be made available for audit. However, DOL had the opportunity to discuss and clarify the methodology and some of the assumptions used by OTA. DOL found the methodology and support reasonable in estimating future excise tax revenue. Furthermore, DOL consulted with EIA experts in coal statistics and tables to learn the nature of the coal models and factors that impact the coal industry overall. DOL will continue to work with OTA and EIA to ensure our policies and procedures are current and consistent with these agencies.

In compliance with US GAAP, DOL disclosed that the estimated amounts reported on the SOSI and SCSIA reflect the current conditions and that the estimates may differ materially from the actual future results due to changes in future conditions. DOL believes that our disclosures assist the reader's understanding of these effects. Whatever those future conditions may be, DOL looks forward to addressing the financial reporting challenges of the fund in 2017.

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 2016 and FY 2015 consist of the following:

- The **Consolidated Balance Sheets**, which present as of September 30, 2016 and 2015, 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, 2016 and 2015. 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, 2016 and 2015.

- 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 FY's 2016 and 2015; and the status of these resources as of September 30, 2016 and 2015.

- 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), respectively, of the Black Lung Disability Trust Fund (BLDTF) as of September 30, 2016, 2015, 2014, 2013, and 2012, respectively. The net present value of projected cash flows for the closed group is also known as the closed group measure; the net present value of the projected cash flows for the open group is also known as the open group measure. The summary section presents the total of closed group measure plus fund assets and the total of open group measure plus fund assets; fund assets consist of Funds with U.S. Treasury and receivables.

- 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, 2016 and 2015, and provides information about the change.

CONSOLIDATED BALANCE SHEETS

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

	2016	2015
ASSETS		
Intra-governmental		
Funds with U.S. Treasury (Note 1-C and 2)	$ 11,960,730	$ 11,568,982
Investments (Note 1-D and 3)	54,098,358	44,644,478
Accounts receivable (Note 1-E and 4)	5,534,674	5,616,399
Advances (Note 1-G and 6)	3,409	11,831
Total intra-governmental	71,597,171	61,841,690
Accounts receivable, net of allowance (Note 1-E and 4)	1,379,029	1,747,211
General Property, plant and equipment, net (Note 1-F and 5)	1,264,080	1,294,528
Advances (Note 1-G and 6)	1,105,972	1,343,733
Total assets	$ 75,346,252	$ 66,227,162
LIABILITIES AND NET POSITION		
Liabilities (Note 1-I and 12)		
Intra-governmental		
Accounts payable	$ 15,865	$ 22,324
Debt (Note 1-J and 8)	14,264,915	18,527,186
Other liabilities (Note 9)	249,811	348,713
Total intra-governmental	14,530,591	18,898,223
Accounts payable	325,041	259,334
Accrued benefits (Note 1-K and 10)	1,642,495	1,301,844
Future workers' compensation benefits (Note 1-L and 11)	1,917,478	1,479,265
Energy employees occupational illness compensation benefits (Note 1-M)	15,373,336	14,832,013
Accrued leave (Note 1-N)	128,045	115,177
Other liabilities (Note 9)	836,870	850,517
Total liabilities	34,753,856	37,736,373
Contingencies (Note 13)		
Net position (Note 1-R)		
Funds from dedicated collections		
Cumulative results of operations (Note 21)	40,442,362	27,153,317
All other funds		
Unexpended appropriations	7,919,543	7,991,121
Cumulative results of operations	(7,769,509)	(6,653,649)
Total net position - all other funds	150,034	1,337,472
Total net position	40,592,396	28,490,789
Total liabilities and net position	$ 75,346,252	$ 66,227,162

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30, 2016 and 2015
(Dollars in Thousands)

	2016	2015
NET COST OF OPERATIONS (Note 1-S and 15)		
CROSSCUTTING PROGRAMS		
Income maintenance		
Gross Cost	$ 43,314,156	$ 41,384,332
Less Earned Revenue	(3,546,200)	(3,757,686)
Net Program Cost	39,767,956	37,626,646
Employment and training		
Gross Cost	6,301,715	6,245,765
Less Earned Revenue	(10,045)	(13,496)
Net Program Cost	6,291,670	6,232,269
Labor, employment and pension standards		
Gross Cost	912,018	864,880
Less Earned Revenue	(19,277)	(11,834)
Net Program Cost	892,741	853,046
Worker safety and health		
Gross Cost	1,072,944	1,055,674
Less Earned Revenue	(7,678)	(4,432)
Net Program Cost	1,065,266	1,051,242
OTHER PROGRAMS		
Statistics		
Gross Cost	660,604	645,560
Less Earned Revenue	(32,165)	(28,823)
Net Program Cost	628,439	616,737
COSTS NOT ASSIGNED TO PROGRAMS		
Gross Cost	18,505	17,825
Less Earned Revenue not attributed to programs	(9,680)	(572)
Net Cost not assigned to programs	8,825	17,253
Net cost of operations	$ 48,654,897	$ 46,397,193

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2016 and 2015
(Dollars in Thousands)

	2016 Consolidated			2015 Consolidated		
	Funds from Dedicated Collections	All Other Funds	Total	Funds from Dedicated Collections	All Other Funds	Total
Cumulative results of operations, beginning	$ 27,153,317	$ (6,653,649)	$ 20,499,668	$ 11,304,501	$ (7,461,467)	$ 3,843,034
Budgetary financing sources (Note 1-T)						
Appropriations used	-	10,277,935	10,277,935	-	9,964,324	9,964,324
Non-exchange revenue (Note 16)						
Employer taxes	47,370,792	-	47,370,792	49,628,888	-	49,628,888
Interest	1,219,327	25	1,219,352	1,194,863	-	1,194,863
Reimbursement of unemployment benefits and other	1,596,876	536	1,597,412	1,902,743	7,389	1,910,132
Total non-exchange revenue	50,186,995	561	50,187,556	52,726,494	7,389	52,733,883
Transfers without reimbursement (Note 17)	(3,635,425)	3,885,853	250,428	(3,682,768)	3,925,290	242,522
Other financing sources (Note 1-U)						
Imputed financing from costs absorbed by others	2,734	104,743	107,477	2,868	105,537	108,405
Transfers without reimbursement (Note 17)	-	4,930	4,930	-	4,544	4,544
Other	-	(244)	(244)	-	149	149
Total financing sources	46,554,304	14,273,778	60,828,082	49,046,594	14,007,233	63,053,827
Net cost of operations	(33,265,259)	(15,389,638)	(48,654,897)	(33,197,778)	(13,199,415)	(46,397,193)
Net change	13,289,045	(1,115,860)	12,173,185	15,848,816	807,818	16,656,634
Cumulative results of operations, end of period	40,442,362	(7,769,509)	32,672,853	27,153,317	(6,653,649)	20,499,668
Unexpended appropriations, beginning	-	7,991,121	7,991,121	-	9,272,731	9,272,731
Budgetary financing sources (Note 1-T)						
Appropriations received (Note 18-F)	-	10,761,084	10,761,084	-	10,450,010	10,450,010
Appropriations used	-	(10,277,935)	(10,277,935)	-	(9,964,324)	(9,964,324)
Appropriations transferred	-	(1,000)	(1,000)	-	(294)	(294)
Other adjustments	-	(553,727)	(553,727)	-	(1,767,002)	(1,767,002)
Total Budgetary Financing Sources	-	(71,578)	(71,578)	-	(1,281,610)	(1,281,610)
Unexpended appropriations, end of period	-	7,919,543	7,919,543	-	7,991,121	7,991,121
Net position	$ 40,442,362	$ 150,034	$ 40,592,396	$ 27,153,317	$ 1,337,472	$ 28,490,789

The accompanying notes are an integral part of these statements.

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the Years Ended September 30, 2016 and 2015
(Dollars in Thousands)

	2016	2015
Note 1-Z and 18		
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	$ 3,447,458	$ 4,611,740
Recoveries of prior year unpaid obligations	603,674	564,577
Other changes in unobligated balance	(228,293)	(1,216,674)
Unobligated balance from prior year budget authority, net	3,822,839	3,959,643
Appropriations (discretionary and mandatory)	47,611,750	46,890,818
Spending authority from offsetting collections (discretionary and mandatory)	7,410,865	7,286,090
Total budgetary resources	$ 58,845,454	$ 58,136,551
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (Total)	$ 54,889,189	$ 54,689,093
Unobligated balance, end of year		
Apportioned, unexpired account	3,083,935	2,767,119
Exempt from apportionment, unexpired accounts	37,251	41,804
Unapportioned, unexpired accounts	73,288	100,030
Unexpired unobligated balance, end of year	3,194,474	2,908,953
Expired unobligated balance, end of year	761,791	538,505
Total unobligated balance, end of year	$ 3,956,265	$ 3,447,458
Total budgetary resources	$ 58,845,454	$ 58,136,551
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1	$ 13,200,831	$ 14,053,217
New obligations and upward adjustments	54,889,189	54,689,093
Less: outlays (gross)	(54,606,695)	(54,976,902)
Less: recoveries of prior year unpaid obligations	(603,674)	(564,577)
Unpaid obligations, end of year	$ 12,879,651	$ 13,200,831
Uncollected Payments:		
Uncollected payments, Federal sources, brought forward, October 1	(1,697,626)	(2,017,703)
Change in uncollected payments, Federal sources	(50,551)	320,077
Uncollected payments, Federal sources, end of year	(1,748,177)	(1,697,626)
Obligated balance, start of year	$ 11,503,205	$ 12,035,514
Obligated balance, end of year	$ 11,131,474	$ 11,503,205
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	$ 55,022,615	$ 54,176,908
Actual offsetting collections (discretionary and mandatory)	(7,389,858)	(7,762,559)
Change in uncollected customer payments from Federal sources (discretionary and mandatory)	(50,551)	320,077
Recoveries of prior year paid obligations (discretionary and mandatory)	29,544	156,392
Budgetary authority, net (discretionary and mandatory)	$ 47,611,750	$ 46,890,818
Outlays, gross (discretionary and mandatory)	$ 54,606,695	$ 54,976,902
Actual offsetting collections (discretionary and mandatory)	(7,389,858)	(7,762,559)
Outlays, net (discretionary and mandatory)	47,216,837	47,214,343
Distributed offsetting receipts	(740,914)	(1,058,051)
Agency outlays, net (discretionary and mandatory)	$ 46,475,923	$ 46,156,292

The accompanying notes are an integral part of these statements.

STATEMENTS OF SOCIAL INSURANCE

As of September 30, 2016, 2015, 2014, 2013, and 2012
(Dollars in Thousands)

	For the Projection Period Ending September 30, 2040				
	Unaudited 2016	2015	2014	2013	2012
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	$ 2,906,046	$ 4,738,572	$ 7,301,416	$ 7,494,800	$ 7,804,178
Less the present value of estimated future administrative costs during the projection period	953,474	1,242,920	942,107	920,740	963,995
Less the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period	1,359,109	1,898,939	1,876,522	1,953,763	2,181,654
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)	593,463	1,596,713	4,482,787	4,620,297	4,658,529
New participants					
Present value of estimated future excise tax income during the projection period	1,452,086	-	-	-	-
Less the present value of estimated future administrative costs during the projection period	476,429	-	-	-	-
Less the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period	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	296,541	-	-	-	-
Current and new participants (open group)					
Present value of estimated future excise tax income during the projection period	4,358,132	4,738,572	7,301,416	7,494,800	7,804,178
Less the present value of estimated future administrative costs during the projection period	1,429,903	1,242,920	942,107	920,740	963,995
Less the actuarial present value of future benefit payments to disabled coal miners and dependent survivors during the projection period	2,038,225	1,898,939	1,876,522	1,953,763	2,181,654
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)	$ 890,004	$ 1,596,713	$ 4,482,787	$ 4,620,297	$ 4,658,529
Trust fund net position deficit at start of projection period (Note 1-W and 21)	$ (5,604,460)	$ (5,644,208)	$ (5,755,352)	$ (5,894,222)	$ (5,977,619)
Summary Section					
Closed group measure	$ 593,463	$ 1,596,713	$ 4,482,787	$ 4,620,297	$ 4,658,529
Add: Funds with U.S. Treasury and receivables from benefit overpayments (Note 21)	113,856	54,859	129,376	145,794	102,498
Total of closed group measure plus fund assets (Note 1-W)	$ 707,319	$ 1,651,572	$ 4,612,163	$ 4,766,091	$ 4,761,027
Open group measure	$ 890,004	$ 1,596,713	$ 4,482,787	$ 4,620,297	$ 4,658,529
Add: Funds with U.S. Treasury and receivables from benefit overpayments (Note 21)	113,856	54,859	129,376	145,794	102,498
Total of open group measure plus fund assets (Note 1-W)	$ 1,003,860	$ 1,651,572	$ 4,612,163	$ 4,766,091	$ 4,761,027

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN SOCIAL INSURANCE AMOUNTS
For the Years Ended September 30, 2016 and 2015
(Dollars in Thousands)

BLACK LUNG DISABILITY BENEFIT PROGRAM (Note 1-W and 1-Y)
Open Group Measure
(Dollars in Thousands)

	Unaudited 2016	2015
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	$ 1,596,713	$ 4,482,787
Changes in the assumptions about beneficiaries, including costs, number, type, age and life expectancy	(22,732)	25,406
Changes in assumptions about coal excise tax revenues	(652,225)	(2,726,804)
Changes in assumptions about Federal civilian pay raises for income benefits	9,653	4,431
Changes in assumptions about medical cost inflation for medical benefits	(8,373)	(1,652)
Changes in assumptions about administrative costs	(95,670)	(253,365)
Changes in assumptions about interest rates	62,638	65,910
Net change in open group measure	(706,709)	(2,886,074)
Open group measure, end of year	$ 890,004	$ 1,596,713

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 (occupational health and safety); (iii) income security; and (iv) veterans benefits and services (veterans education 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)
   - 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*
     - *Women's Bureau*
     - *Office of the Deputy Secretary*
     - *Office of Inspector General*
     - *Office of the Solicitor*
     - *Office of Public Affairs*
     - *Office of the Chief Financial Officer*
     - *Office of Disability Employment Policy*
     - *Bureau of International Labor Affairs*

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

2. Major programs

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

Strategic Goals / Major Programs	Income Maintenance	Employment and Training	Labor, Employment and Pension Standards	Worker Safety and Health	Statistics
1: Prepare workers for better jobs		•	•		
2: Improve workplace safety and health				•	
3: Promote fair and high-quality work environments			•		
4: Secure retirement, health, and other employee benefits and, for those not working, provide income security	•		•		
5: Produce timely and accurate data on the economic conditions of workers and their families					•

The table above shows the relationship between the Department's strategic goals and its major programs.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

Funds from dedicated collections - continued

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. The funds are supported by fees paid by employers applying for foreign workers under the H-1B temporary alien labor certification program authorized by the American Competitiveness and Workforce Improvement Act of 1998.

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 Workmen's Compensation Act Trust Fund, established under the authority of the District of Columbia Workmen'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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

Fiduciary funds - continued

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. Effective November 21, 2013, responsibility for administrating this fund was transferred from the Government Accountability Office (GAO) to the Department of Labor. 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.

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.

Payments to the Unemployment Trust Fund was initiated as a result of amendments to the Emergency Unemployment Compensation (EUC) law, which provided general fund financing to the UTF to pay EUC benefits and the related administrative costs. This account is currently used to provide general fund financing for EUC benefits and administrative costs under the Supplemental Appropriations Act of 2008, as extended by the Recovery Act and other authorizing legislation.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds - continued

Revolving Fund for Advances to Employment Security Administration Account (ESAA), Unemployment Trust Fund was established under the authority of Social Security Act Section 901(e), to advance amounts to ESAA in the event that balances in this account prove insufficient to cover expenditures relating to administrative costs associated with the administration of the UTF.

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 adjustment assistance, and alternative TAA) as authorized by the Trade Act of 1974 and subsequent amendments.

Short-Time Compensation provides grants to states to implement or improve short-time compensation programs as authorized by the Middle Class Tax Relief and Job Creation Act of 2012. Short-time compensation programs allow employers to voluntarily reduce the number of hours worked by employees in lieu of layoffs and permits employees to collect a pro rata portion of the UC which would otherwise be payable to the employee if the employee was unemployed.

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' Compensation Act and the District of Columbia Workmen'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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds - continued

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 Fund 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Accounting and Presentation - Continued

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 and the Executive Office of the President of the United States to support an unemployment insurance (UI) financial data access project (parent entities). Accordingly, activity for these allocation accounts 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. The Department's compliance with U.S. GAAP includes the implementation in FY 2015 of SFFAS 44, "Accounting For Impairment Of General Property, Plant, And Equipment Remaining In Use." This has an immaterial impact on DOL's financial statements.

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 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,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Investments - Continued

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)

All Other Funds

Balances held in the Energy Employees Occupational Illness Compensation Fund are invested in non-marketable Treasury one-day certificates. (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.

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)

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)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2016 and 2015, represents 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 USC 1323). Although no draws were made on borrowing authority in FY 2016, these advances were appropriated 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; and appropriated in FY 2015 through three continuing resolutions with P.L. 113-164, P.L. 113-202 and P.L. 113-203 and an appropriations act P.L. 113-235. These repayable advances bear interest rates ranging between 2.375% and 2.875%, 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. 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, 2015 (due September 30, 2016) bearing an interest rate of 0.330%, and on September 30, 2016 (due September 30, 2017) bearing an interest rate of 0.589%. (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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Accrued Benefits - Continued

1. Unemployment benefits payable - continued

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 Workmen'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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Future Workers' Compensation Benefits - Continued

DOL selects the COLA factors, CPIM factors, and discount rate 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 2016 and FY 2015 were as follows:

	COLA		CPIM	
FY	2016	2015	2016	2015
2016	N/A	1.64 %	N/A	2.94 %
2017	1.31 %	1.47 %	2.99 %	2.98 %
2018	1.13 %	1.33 %	3.09 %	3.09 %
2019	1.23 %	1.43 %	3.40 %	3.39 %
2020	1.45 %	1.65 %	3.68 %	3.69 %
2021+	1.85 %	1.65 %	3.87 %	3.69 %

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 years and 9.8 years in FY 2016 and 14.9 years and 9.8 years in FY 2015, 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 2.781% and 2.261% in FY 2016 and 3.134% and 2.496% in FY 2015, respectively.

In FY 2016, there was 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.). In FY 2015, OWCP established a unit to expedite processing of WHCA cases. As a result, the number and value of WHCA settled claims increased in FYs 2015 and 2016. To accommodate the claims, in FY 2016 DOL applied a triangle approach to enhance matching between the actuarial technique and the lump-sum nature of the WHCA claims. In FY 2015, DOL used an annuity approach. In FY 2016, OWCP applied to WHCA projected benefits a similar methodology for selecting the interest rate assumptions; for both WHCA income payments and medical payments, the average durations and interest rates were 8.3 years and 2.012%, 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 workers' 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Energy Employees Occupational Illness Compensation Benefits - Continued

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 average durations for compensation payments and medical payments were 10.9 years and 17.4 years in FY 2016 and 9.2 years and 17.0 years in FY 2015, respectively. The interest rate assumptions for compensation payments and medical payments were 2.414% and 2.949% in FY 2016 and 2.387% and 3.282% in FY 2015, respectively. Using the interest rate assumptions to discount to present value, the undiscounted liability and discounted liability were, as of September 30, 2016, $22.3 billion and $15.4 billion over a 59-year period and, as of September 30, 2015, $21.7 billion and $14.8 billion over a 58-year period, respectively.

The estimated liability includes the expected compensation and estimated medical payments for approved compensation cases and cases filed 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.

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 2016, DOL's contributions to the FEHBP and FEGLIP were $120.5 million and $2.5 million, respectively. During FY 2015, DOL's contributions to the FEHBP and FEGLIP were $113.4 million and $2.4 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 $81.9 million in FY 2016 and $72.1 million in FY 2015.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 2016 and FY 2015 are presented in the table below.

	Percentage of Gross Earnings		
FY 2016	FERS	FERS RAE	FERS FRAE
Employee contribution/withholding	0.8%	3.1%	4.4%
DOL contribution	13.7%	11.9%	11.9%
FY 2015	FERS	FERS RAE	FERS FRAE
Employee contribution/withholding	0.8%	3.1%	4.4%
DOL contribution	13.2%	11.1%	11.1%

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 $125.5 million in FY 2016 and $121.0 million in FY 2015.

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 2016 and 2015 respectively, 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 2016 and 2015 respectively. 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 2016 and 2015, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q. Employee Pension Benefits - Continued

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.

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)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 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)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

T. Budgetary Financing Sources - Continued

2. Non-exchange revenue - continued

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.

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 and of appropriations for extended unemployment benefits. (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)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

W. Significant Assumptions Used in the Statements of Social Insurance and Statements of Changes in Social Insurance Amounts (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.

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).

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.

DOL estimates future excise tax income using two approaches: one approach is used for the first ten years in the projection period and another approach is used for the remaining years in the projection period. For FYs 2012 through 2015, DOL's projections were based on the estimates provided by Treasury's Office of Tax Analysis (OTA) which provides 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, EIA projections used by OTA

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

2. Significant Assumptions - continued

of future coal production reflect, among other things, regulation pursuant to the Clean Power Plan (CPP). In FY 2016, DOL refined the approach to enhance alignment with recent experience. For FY 2016, DOL's 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 applies a growth rate to the projection for the tenth year and grows 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 period. In FY 2016, the growth rate is based on the average EIA growth rates for future coal production that reflect, 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 2012 through 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 stayed implementation of regulation pursuant to the CPP due to litigation pending in the U.S. Court of Appeals; as of September 30, 2016 the stay remained in effect. DOL did not change its sources or approaches for estimating future excise tax income because of the stay.

Estimated future administrative costs

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.

Actuarial future benefit payments to disabled coal miners and dependent survivors

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 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 2012 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 2012 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

2. Significant Assumptions - continued

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. Accordingly, for FY 2016 reporting, the SOSI presents values for the closed group, new participants, and open group.

In FYs 2012 through 2015, Social Security Administration (SSA) life tables were used to project the life expectancies of the beneficiary population, whereas in FY 2016, 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 1.0% in 2017, 1.38% in 2018, 1.88% in 2019, 2.38% in 2020, 2.88% in 2021, and 3.0% in each year thereafter and medical cost increases 5.0% in each year.

<u>Other significant assumptions</u>

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.

The projection period ends September 30, 2040, the date when the BLDTF's last debt instrument matures. 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 and receivables from benefit overpayments) available to service the BLDTF debt and interest until the last debt instrument matures.

In FYs 2014 through 2016, 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, and 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

2. Significant Assumptions - continued

Projected Annual Cash Flows	Used for the Closed Group, New Participant, and Open Group Populations	
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%. In FY 2012, projected annual cash flows were discounted using an interest rate published by Treasury as of the start of the projection period for Treasury loans to government agencies for loans with a duration that approximated the projection period; the discount rate was 2.75%.

The valuation date for the FY 2016 and FY 2015 information presented in the SOSI, including the summary section, and in the SCSIA is September 30, 2016 and 2015, respectively.

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 $(5.6) billion, the amount of the trust fund net position deficit at the start of the projection period, September 30, 2016.

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)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

3. Disclosures for the social insurance financial statements - continued

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 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; and

- In FY 2015, the open group measure decreased by $(2,886.1) million primarily due to projected lower coal excise tax revenues and higher administrative costs, offset in part due to lower beneficiary costs and the change in interest rates used to discount the cash flows from 2.50% and 2.63% in FY 2014 to 2.25% for income payments, medical payments, administrative expenses, and coal excise tax collections in FY 2015.

The SOSI as of September 30, 2015, 2014, 2013, and 2012, were reclassified to conform to the presentation of the SOSI as of September 30, 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, 2013, and 2012, respectively.

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 debt and interest. As of September 30, 2016, the open group measure plus fund assets is $0.89 billion whereas the BLDTF debt and interest maturing on September 30, 2017 is $1.46 billion and the carrying value of all BDLTF debt as of September 30, 2016 is $5.71 billion. The excess of BLDTF debt over the open group measure plus fund assets together with the fund deficit of $(5.6) billion represent a material concentration of risk for the Department.

Subsequent Events. As of December 15, 2016 the U.S. Supreme Court stay of regulation pursuant to the Clean Power Plan remained in effect. DOL did not change its sources or approaches for estimating future excise tax income because of the stay.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. Reclassifications

The FY 2015 financial statements were reclassified to conform to the FY 2016 financial statement presentation requirements and include, among other things, changes in the presentation of the Combined Statements of Budgetary Resources in accordance with the requirements of OMB Circular No. A-136. The reclassifications had no effect on total budgetary resources as previously reported.

NOTE 2 - FUNDS WITH U.S. TREASURY

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

Funds with U.S. Treasury as of September 30, 2015, consisted of the following:

(Dollars in thousands)	Revolving funds	Trust funds	Special funds	General funds	Other	Total
Unobligated Balance Available	$ 8,909	$ 163	$ 265,528	$ 2,492,462	$ -	$ 2,767,062
Unobligated Balance Unavailable	8,078	-	51,489	578,968	-	638,535
Obligated Balance Not Yet Disbursed	133,044	11,927	467,573	7,482,001	-	8,094,545
Non-Budgetary Fund Balance with Treasury	-	63,629	220	66	-	63,915
Total Entity Assets	150,031	75,719	784,810	10,553,497	-	11,564,057
Non-entity Assets	-	(1,050)	-	-	5,975	4,925
Fund Balance with Treasury	$ 150,031	$ 74,669	$ 784,810	$ 10,553,497	$ 5,975	$ 11,568,982

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, 2016 and 2015, 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, 2016 and 2015, includes $466.7 million and $491.7 million, respectively, of funds apportioned for use in the subsequent year period.

NOTE 3 - INVESTMENTS

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 3 - INVESTMENTS - Continued

Investments as of September 30, 2015, 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, 2017	$ 33,635,788	$ -	$ 189,201	$ 33,824,989	$ 33,635,788
2.375% maturing June 30, 2016	3,751,987	-	22,277	3,774,264	3,751,987
Special issue Certificate of Indebtedness					
2.250% maturing June 30, 2016	6,980,612	-	22,049	7,002,661	6,980,612
	$ 44,368,387	-	$ 233,527	$ 44,601,914	$ 44,368,387
Panama Canal Commission Compensation Fund					
Marketable					
U.S. Treasury Notes					
4.50% maturing November 11, 2015	41,641	220	703	42,564	41,641
	$ 44,410,028	$ 220	$ 234,230	$ 44,644,478	$ 44,410,028
Entity investments	$ 44,302,725	$ 220	$ 233,665	$ 44,536,610	$ 44,302,725
Non-entity investments	107,303	-	565	107,868	107,303
	$ 44,410,028	$ 220	$ 234,230	$ 44,644,478	$ 44,410,028

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

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

Accounts receivable, net as of September 30, 2015, consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 281,752	$ -	$ 281,752
Due for workers' compensation benefits	5,332,848	-	5,332,848
Other	1,799	-	1,799
	5,616,399	-	5,616,399
Entity assets			
State unemployment taxes	1,268,232	(852,937)	415,295
Due from reimbursable employers	588,308	(47,827)	540,481
Benefit overpayments	3,482,077	(2,870,462)	611,615
Other	7,218	-	7,218
	5,345,835	(3,771,226)	1,574,609
Non-entity assets			
Fines and penalties	218,643	(46,041)	172,602
	5,564,478	(3,817,267)	1,747,211
	$ 11,180,877	$ (3,817,267)	$ 7,363,610

The September 30, 2016 intra-governmental balance due for workers' compensation benefits includes a $1.5 billion receivable from the U.S. Postal Service (USPS). Section 8147 of Title 5 of the U.S.C. mandates that USPS reimburse the FECA Special Benefits Fund by October 15 for benefits incurred on its behalf and administration costs. The October 2016 USPS reimbursement excluded $151 million; however, DOL considers the USPS intra-governmental receivable to be fully collectible.

The September 30, 2015 intra-governmental balance due for workers' compensation benefits included a $1.4 billion receivable from USPS. The October 2015 USPS reimbursement excluded $68 million; USPS paid the $68 million reimbursement in January 2016.

NOTE 5 - GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

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

General property, plant and equipment, net as of September 30, 2015, consisted of the following:

	2015		
(Dollars in thousands)	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 1,583,712	$ (677,031)	$ 906,681
Improvements to leased facilities	398,274	(298,875)	99,399
	1,981,986	(975,906)	1,006,080
Furniture and equipment			
Equipment held by contractors	136,107	(127,904)	8,203
Furniture and equipment	51,928	(34,588)	17,340
	188,035	(162,492)	25,543
Internal use software and software in development	262,788	(134,172)	128,616
Construction-in-progress	34,773	-	34,773
Land	99,516	-	99,516
	$ 2,567,098	$ (1,272,570)	$ 1,294,528

NOTE 6 - ADVANCES

Advances as of September 30, 2016 and 2015, consisted of the following:

(Dollars in thousands)	2016	2015
Intra-governmental		
Advances	$ 3,409	$ 11,831
Advances to states for UI benefit payments	1,104,566	1,341,940
Other	1,406	1,793
	1,105,972	1,343,733
	$ 1,109,381	$ 1,355,564

NOTE 7 - NON-ENTITY ASSETS

Non-entity assets as of September 30, 2016 and 2015, consisted of the following:

(Dollars in thousands)	2016	2015
Intra-governmental		
Funds with U.S. Treasury	$ 6,376	$ 4,925
Investments	68,094	107,868
	74,470	112,793
Accounts receivable, net of allowance	151,420	172,602
Total non-entity assets	225,890	285,395
Total entity assets	75,120,362	65,941,767
	$ 75,346,252	$ 66,227,162

NOTE 8 - DEBT

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

Debt during FY 2015 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2014	Additional Borrowing	Repayment of Debt	Interest Change	Balance at September 30, 2015
Intra-governmental debt to Treasury					
Unemployment Trust Fund					
Advances from U.S. Treasury	$ 20,823,599	$ 300,000	$ (8,265,085)	$ (18,449)	$ 12,840,065
Black Lung Disability Trust Fund					
Borrowing from U.S. Treasury	5,872,219	585,000	(891,768)	121,670	5,687,121
	$ 26,695,818	$ 885,000	$ (9,156,853)	$ 103,221	$ 18,527,186

NOTE 8 - DEBT - Continued

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, 2015, interest expense for the UTF was $517.6 million, of which $479.9 million was paid, along with an additional interest payment of $56.1 million for interest accrued through September 30, 2014.

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. For the year ended September 30, 2015, interest expense for the BLDTF was $216.0 million, of which $121.7 million was capitalized interest and $94.3 million was paid.

NOTE 9 - OTHER LIABILITIES

Other liabilities as of September 30, 2016 and 2015, consisted of the following:

(Dollars in thousands)	2016	2015
Intra-governmental		
Non-entity receivables due to U.S. Treasury	$ 151,420	$ 172,894
Amounts held for the Railroad Retirement Board	68,007	106,819
Accrued payroll and other liabilities	30,384	69,000
Total intra-governmental	249,811	348,713
Grant accruals	664,518	689,283
Capital lease liability	37,271	38,867
Environmental and disposal liability	34,885	33,393
Accrued payroll and other liabilities	100,196	88,974
Total other liabilities with the public	836,870	850,517
	$ 1,086,681	$ 1,199,230

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, 2016 and 2015, consisted of the following:

(Dollars in thousands)	2016	2015
State regular and extended unemployment benefits payable	$ 997,378	$ 646,421
Federal extended unemployment benefits payable	83,359	79,421
Federal emergency unemployment benefits payable	174,621	207,508
Federal employees' unemployment benefits payable	128,755	155,880
Federal additional unemployment benefits payable	25,435	25,812
Total unemployment benefits payable	1,409,548	1,115,042
Federal employees' disability and 10(h) benefits payable	185,968	134,697
Black lung disability benefits payable	19,513	20,623
Energy employees occupational illness compensation benefits payable	27,466	31,482
	$ 1,642,495	$ 1,301,844

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2016 and 2015

NOTE 11 - FUTURE WORKERS' COMPENSATION BENEFITS

DOL’s liability for future workers’ compensation benefits as of September 30, 2016 and 2015, consisted of the following:

(Dollars in thousands)	2016	2015
Projected gross liability of the Federal government for future FECA benefits	$ 36,453,650	$ 35,333,800
Less liabilities attributed to other agencies:		
U.S. Postal Service	(16,228,868)	(15,736,693)
Department of Homeland Security	(2,752,677)	(2,506,660)
Department of Veterans Affairs	(2,322,213)	(2,243,606)
Department of the Navy	(2,140,650)	(2,217,153)
Department of the Army	(1,734,174)	(1,749,103)
Department of Justice	(1,725,538)	(1,654,319)
Department of the Air Force	(1,247,468)	(1,286,627)
Department of Agriculture	(904,661)	(893,121)
Department of Transportation	(874,184)	(934,144)
Department of Defense, Other	(810,252)	(803,782)
Department of the Interior	(773,999)	(774,798)
Department of the Treasury	(597,277)	(587,144)
Tennessee Valley Authority	(366,709)	(387,274)
Social Security Administration	(327,213)	(329,399)
Department of Health and Human Services	(272,268)	(271,198)
Department of Commerce	(206,611)	(209,304)
General Services Administration	(114,700)	(121,818)
Department of Energy	(93,810)	(95,810)
Department of State	(90,019)	(88,176)
Department of Housing and Urban Development	(64,434)	(68,657)
Environmental Protection Agency	(45,037)	(46,165)
National Aeronautics and Space Administration	(38,306)	(43,072)
Small Business Administration	(32,676)	(31,691)
Office of Personnel Management	(23,623)	(22,825)
Agency for International Development	(22,542)	(24,731)
Department of Education	(14,789)	(14,549)
Nuclear Regulatory Commission	(5,608)	(6,040)
National Science Foundation	(1,171)	(1,215)
Other	(704,695)	(705,461)
	(34,536,172)	(33,854,535)
	$ 1,917,478	$ 1,479,265
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	$ 1,661,740	$ 1,223,125
FECA benefits due to eligible workers of DOL and Job Corps enrollees	221,560	218,055
FECA benefits due to eligible workers of the Panama Canal Commissior	34,178	38,085
	$ 1,917,478	$ 1,479,265

NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources as of September 30, 2016 and 2015, consisted of the following:

(Dollars in thousands)	2016	2015
Intra-governmental		
Debt	$ 14,264,915	$ 18,527,186
Future workers' compensation benefits	664,271	150,736
Accrued annual leave	121,222	109,125
Other liabilities	67,711	67,969
	853,204	327,830
Total liabilities not covered by budgetary resources	15,118,119	18,855,016
Total liabilities covered by budgetary resources	19,635,737	18,881,357
	$ 34,753,856	$ 37,736,373

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 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

Pension expense in FY 2015 consisted of the following:

(Dollars in thousands)	Employer Contributions	Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 8,855	$ 23,746	$ 32,601
Federal Employees' Retirement System	171,759	12,545	184,304
Thrift Savings Plan	57,630	-	57,630
	$ 238,244	$ 36,291	$ 274,535

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, 2016 and 2015, 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, 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)	-
Public earned revenue	-	-	-	-
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

B. Consolidating Statements of Net Cost by Program Agency

Net cost of operations by program agency for the year ended September 30, 2015, 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	$ 632,423	$ 307,848	$ -	$ -
With the public	36,839,537	3,595,476	-	-
Gross cost	37,471,960	3,903,324	-	-
Intra-governmental earned revenue	(704,239)	(3,051,212)	-	-
Public earned revenue	-	(1,172)	-	-
Less earned revenue	(704,239)	(3,052,384)	-	-
Net program cost	36,767,721	850,940	-	-
Employment and training				
Intra-governmental	46,026	-	32,142	-
With the public	4,326,986	-	1,572,810	-
Gross cost	4,373,012	-	1,604,952	-
Intra-governmental earned revenue	(12,854)	-	(104)	-
Public earned revenue	-	-	-	-
Less earned revenue	(12,854)	-	(104)	-
Net program cost	4,360,158	-	1,604,848	-
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	-	-	-	134,341
With the public	-	-	-	480,133
Gross cost	-	-	-	614,474
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	(1,210)
Less earned revenue	-	-	-	(1,210)
Net program cost	-	-	-	613,264
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	$ 41,127,879	$ 850,940	$ 1,604,848	$ 613,264

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
$ -	$ -	$ 492	$ 33	$ -	$ -	$ 940,796
-	-	2,108	141	-	6,274	40,443,536
-	-	2,600	174	-	6,274	41,384,332
-	-	(997)	(66)	-	-	(3,756,514)
-	-	-	-	-	-	(1,172)
-	-	(997)	(66)	-	-	(3,757,686)
-	-	1,603	108	-	6,274	37,626,646
-	-	-	13,662	8	-	91,838
-	-	-	253,374	-	757	6,153,927
-	-	-	267,036	8	757	6,245,765
-	-	-	(208)	-	(330)	(13,496)
-	-	-	-	-	-	-
-	-	-	(208)	-	(330)	(13,496)
-	-	-	266,828	8	427	6,232,269
-	83	58,382	419	100,795	63,561	223,240
-	180	170,478	7,881	212,265	250,836	641,640
-	263	228,860	8,300	313,060	314,397	864,880
-	-	(6,822)	(45)	-	(4,967)	(11,834)
-	-	-	-	-	-	-
-	-	(6,822)	(45)	-	(4,967)	(11,834)
-	263	222,038	8,255	313,060	309,430	853,046
-	135,551	-	-	-	-	269,892
-	305,645	-	-	-	4	785,782
-	441,196	-	-	-	4	1,055,674
-	(1,347)	-	-	-	-	(1,347)
-	(1,875)	-	-	-	-	(3,085)
-	(3,222)	-	-	-	-	(4,432)
-	437,974	-	-	-	4	1,051,242
216,033	-	-	-	-	-	216,033
429,517	-	-	-	-	10	429,527
645,550	-	-	-	-	10	645,560
(28,364)	-	-	-	-	-	(28,364)
(459)	-	-	-	-	-	(459)
(28,823)	-	-	-	-	-	(28,823)
616,727	-	-	-	-	10	616,737
-	-	-	-	-	17,825	17,825
-	-	-	-	-	(572)	(572)
-	-	-	-	-	17,253	17,253
$ 616,727	$ 438,237	$ 223,641	$ 275,191	$ 313,068	$ 333,398	$ 46,397,193

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, 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

Net cost of operations for the year ended September 30, 2015, consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Office of Workers' Compensation Programs
CROSSCUTTING PROGRAMS		
Income maintenance		
Benefits	$ 31,742,589	$ 3,296,197
Grants	3,930,663	-
Interest	518,896	215,960
Administrative and other	1,279,812	391,167
Gross cost	37,471,960	3,903,324
Less earned revenue	(704,239)	(3,052,384)
Net program cost	36,767,721	850,940
Employment and training		
Grants	4,122,522	-
Administrative and other	250,490	-
Gross cost	4,373,012	-
Less earned revenue	(12,854)	-
Net program cost	4,360,158	-
Net cost of operations	$ 41,127,879	$ 850,940

NOTE 16 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statements of Changes in Net Position in FY 2016 and FY 2015 consisted of the following:

(Dollars in thousands)	2016	2015
Employer taxes		
Unemployment Trust Fund		
State unemployment taxes	$ 38,683,639	$ 40,157,002
Federal unemployment taxes	8,247,537	8,919,451
	46,931,176	49,076,453
Black Lung Disability Trust Fund excise taxes	439,616	552,435
	47,370,792	49,628,888
Interest		
Unemployment Trust Fund	1,218,167	1,193,972
Other	1,185	891
	1,219,352	1,194,863
Reimbursement of unemployment benefits and other	1,597,412	1,910,132
	$ 50,187,556	$ 52,733,883

NOTE 17 - TRANSFERS WITHOUT REIMBURSEMENT

Transfers from other Federal agencies in FY 2016 and FY 2015 consisted of the following:

(Dollars in thousands)	2016	2015
Budgetary financing sources		
From H-1B Nonimmigrant Petitioner Account, Department of Homeland Security and other	$ 250,428	$ 242,522
Other financing sources		
From General Services Administration	4,930	4,544
	$ 255,358	$ 247,066

The balance of $250.4 million and $242.5 million in budgetary financing sources for FY 2016 and FY 2015, reflect the elimination of intra-DOL transfers of ($3.6) billion and ($3.7) 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 2016 and 2015 consisted of the following:

(Dollars in thousands)	2016	2015
Direct obligations		
Category A	$ 4,432,941	$ 4,632,926
Category B	8,864,445	8,988,042
Exempt from apportionment	38,024,004	37,611,645
Total direct obligations	51,321,390	51,232,613
Reimbursable obligations		
Category A	389,868	331,222
Category B	3,177,931	3,125,258
Total reimbursable obligations	3,567,799	3,456,480
	$ 54,889,189	$ 54,689,093

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, 2016 and 2015, the Department returned unobligated, indefinite authority to Treasury in the amount of $0.24 billion and $2.1 billion, 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, 2016 and 2015, 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)	2016	2015
Unemployment Trust Fund unavailable collections, beginning	$ 40,620	$ 31,807
Budget authority from current year appropriations	46,483	45,088
Less: obligations	(36,679)	(36,275)
Excess of budget authority over obligations	9,804	8,813
Unemployment Trust Fund unavailable collections, ending	$ 50,424	$ 40,620

D. Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government for FY 2015

The Budget of the United States Government with actual amounts for the year ended September 30, 2016, has not been published as of the issue date of these financial statements. This document will be available in February 2017 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 2015, to amounts included in the Budget of the United States Government for the year ended September 30, 2015, is shown below.

(Dollars in millions)	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 58,137	$ 54,689	$ 1,058	$ 47,214
Pension Benefit Guaranty Corporation reported separately	24,078	6,074	-	(1,064)
Fiduciary activity	178	125	-	125
Expired accounts	(667)	(126)	-	-
Other	(16)	(30)	-	5
Budget of the United States Government	$ 81,710	$ 60,732	$ 1,058	$ 46,280

E. Undelivered Orders

Undelivered orders as of September 30, 2016 and 2015, were as follows:

(Dollars in thousands)	2016	2015
Undelivered orders	$ 9,788,395	$ 10,726,781

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 2016	FY 2015
Appropriations Received, Consolidated Statements of Changes in Net Position	$ 10,761	$ 10,450
Receipts recognized as revenue in current and prior years		
Unemployment Trust Fund	40,859	44,239
Black Lung Disability Trust Fund	385	628
Other funds from dedicated collections	240	240
Repayment of debt from appropriated receipts		
Unemployment Trust Fund	(4,265)	(7,965)
Black Lung Disability Trust Fund	(71)	(307)
Return of permanent indefinite authority	(225)	(321)
Reduction for sequestration, across the board reductions, and other	(72)	(73)
	36,851	36,441
Appropriations, Combined Statements of Budgetary Resources	$ 47,612	$ 46,891

G. Borrowing Authority

As of September 30, 2016 and 2015, P.L. 114-113 and P.L. 113-235, 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 2016 and $300 million (of which all was repaid) for FY 2015. The borrowing authority was used to allow states to borrow, as necessary, from the Federal government to pay unemployment benefits.

Borrowing authority for the BLDTF was $910 million and $585 million for FY 2016 and FY 2015, respectively. The entire amount of borrowing authority plus current year receipts were applied to repay debt of $981.2 million and $891.8 million for FY 2016 and FY 2015, respectively.

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

(Dollars in thousands)	FY 2016	FY 2015
Resources used to finance activities		
Budgetary resources obligated		
New obligations and upward adjustments (Total)	$ 54,889,189	$ 54,689,093
Recoveries of prior year unpaid obligations	(603,674)	(564,577)
Recoveries of prior year paid obligations	(29,544)	(156,392)
Less: spending authority from offsetting collections	(7,410,865)	(7,286,090)
Obligations, net of offsetting collections and recoveries	46,845,106	46,682,034
Other resources		
Imputed financing from costs absorbed by others	107,477	108,405
Transfers without Reimbursement	4,930	4,544
Exchange revenue not in budget	(498,406)	(773,760)
Total resources used to finance activities	46,459,107	46,021,223
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	994,792	1,383,527
Resources that finance the acquisition of assets	(63,146)	(87,620)
Transfers that do not affect the net cost of operations	4,678	(39,807)
Total resources used to finance items not part of the net cost of operations	936,324	1,256,100
Total resources used to finance the net cost of operations	47,395,431	47,277,323
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	12,868	(7,191)
Increase (decrease) in actuarial benefit liabilities	971,135	(1,178,056)
Increase in capitalized interest	90,523	121,670
Others	(49,172)	10,674
Total	1,025,354	(1,052,903)
Components not requiring or generating resources		
Depreciation and amortization	85,918	82,619
Revaluation of assets and liabilities	789,807	853,461
Benefit overpayments	(641,613)	(763,307)
Total	234,112	172,773
Total components of the net cost of operations that will not require or generate resources in the current period	1,259,466	(880,130)
Net cost of operations	$ 48,654,897	$ 46,397,193

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2016 and 2015

NOTE 20 - CUSTODIAL REVENUE

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

Custodial revenues in FY 2015 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	$ 103,060	$ 76,803	$ 179,863
Mine Safety and Health Administration	70,207	(787)	69,420
Employee Benefits Security Administration	18,159	(642)	17,517
Wage and Hour Division	35,721	1,667	37,388
	227,147	77,041	304,188
Other custodial activity			
Employment and Training Administration and other agencies	5,739	(9,719)	(3,980)
	$ 232,886	$ 67,322	$ 300,208

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, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2016 and 2015

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 period	32,039,648	(5,644,208)	757,877	27,153,317
Net position, end of period	$ 45,262,599	$ (5,604,460)	$ 784,223	$ 40,442,362

NOTE 21 - FUNDS FROM DEDICATED COLLECTIONS - Continued

The financial position of the funds from dedicated collections as of September 30, 2015, is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ 37,332	$ 37,192	$ 785,047	$ 859,571
Investments	44,601,914	-	42,564	44,644,478
Accounts receivable				
Due from other Federal agencies for UCFE and UCX benefits	281,752	-	-	281,752
Other	-	-	6,033	6,033
Total intra-governmental	44,920,998	37,192	833,644	45,791,834
Accounts receivable, net of allowance				
State unemployment tax	415,295	-	-	415,295
Due from reimbursable employers	540,481	-	-	540,481
Benefit overpayments	564,823	17,667	-	582,490
Other	69	-	3	72
Advances	1,323,196	-	1	1,323,197
Other	-	-	498	498
Total assets	$ 47,764,862	$ 54,859	$ 834,146	$ 48,653,867
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	$ 1,689,100	$ -	$ 54	$ 1,689,154
Debt	12,840,065	5,687,121	-	18,527,186
Amounts held for the Railroad Retirement Board	106,819	-	-	106,819
Other	-	1	9,967	9,968
Total intra-governmental	14,635,984	5,687,122	10,021	20,333,127
Accounts payable	-	-	5,221	5,221
Future workers' compensation benefits	-	-	38,085	38,085
Accrued benefits	1,089,230	11,945	-	1,101,175
Other liabilities	-	-	22,942	22,942
Total liabilities	15,725,214	5,699,067	76,269	21,500,550
Net position				
Cumulative results of operations	32,039,648	(5,644,208)	757,877	27,153,317
Total liabilities and net position	$ 47,764,862	$ 54,859	$ 834,146	$ 48,653,867

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, 2015, are shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Cost, net of earned revenues				
Benefits	$ (31,754,445)	$ (162,347)	$ -	$ (31,916,792)
Grants	-	-	(113,853)	(113,853)
Interest	(518,896)	(215,958)	-	(734,854)
Administrative and other	(1,064,603)	(4,451)	(71,121)	(1,140,175)
	(33,337,944)	(382,756)	(184,974)	(33,905,674)
Earned revenue	707,896	-	-	707,896
Net cost of operations	(32,630,048)	(382,756)	(184,974)	(33,197,778)
Net financing sources				
Taxes	49,076,453	552,435	-	49,628,888
Interest	1,193,972	840	51	1,194,863
Reimbursement of unemployment benefits and other	1,902,743	-	-	1,902,743
Imputed financing	-	-	2,868	2,868
Transfers-in				
Department of Homeland Security	-	-	257,443	257,443
DOL entities	42,485	-	-	42,485
Transfers-out				
DOL entities	(3,905,721)	(59,375)	-	(3,965,096)
Other	-	-	(17,600)	(17,600)
	48,309,932	493,900	242,762	49,046,594
Change in net position	15,679,884	111,144	57,788	15,848,816
Net position, beginning of period	16,359,764	(5,755,352)	700,089	11,304,501
Net position, end of period	$ 32,039,648	$ (5,644,208)	$ 757,877	$ 27,153,317

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, 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 period	$ 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

The schedule of fiduciary activity and net assets for the fiduciary funds for the year ended and as of September 30, 2015, 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	$ 70,814	$ 112,528	$ 7,259	$ -	$ 190,601
Investment earnings	-	8	1	-	9
Administrative and other	-	5	(1)	7	11
Transfer of funds to Treasury	(20,293)	(2,177)	-	-	(22,470)
Disbursements to beneficiaries	(52,778)	(114,639)	(7,826)	(7)	(175,250)
Increase (decrease) in fiduciary net assets	(2,257)	(4,275)	(567)	-	(7,099)
Fiduciary net assets, beginning of year	164,152	20,560	2,764	-	187,476
Fiduciary net assets, end of year	$ 161,895	$ 16,285	$ 2,197	$ -	$ 180,377
Fiduciary assets					
Cash	$ 158,375	$ 95	$ 1	$ 5,270	$ 163,741
Investments	-	51,900	3,837	-	55,737
Other assets	3,520	3,007	834	-	7,361
Less: liabilities	-	(38,717)	(2,475)	(5,270)	(46,462)
Total fiduciary net assets	$ 161,895	$ 16,285	$ 2,197	$ -	$ 180,377

Note 22 - FIDUCIARY ACTIVITY - Continued

The FY 2015 audits were performed on the Longshore and Harbor Workers' Compensation Act Trust Fund and the District of Columbia Workmen'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, 2016, of $16.2 billion represents the largest portion of the total projected gross liability of the Federal government for future FECA benefits attributed to other agencies of $34.5 billion as of September 30, 2016.

In October 2016, USPS reimbursed the FECA Special Benefit Fund $1.3 billion for costs incurred on its behalf during the 12 months ended June 30, 2016, but excluded $151 million from its reimbursement. The USPS disclosed its lack of liquidity in its audited financial statements for FYs 2015 and 2016. The USPS's portion of the FECA actuarial liability as of September 30, 2016, together with the USPS's poor financial condition, represent a material concentration of risk for the Department.

NOTE 24 - SUBSEQUENT EVENTS

In addition to the USPS October 2016 reimbursement to the FECA Special Benefit Fund as disclosed in Note 4 and Note 23, management is disclosing the subsequent events as described below.

In October 2016, the UTF repaid $1.3 billion of Advances from U.S. Treasury; these EUCA borrowings bore interest rates of 2.75% and 2.875%.

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, Including the Office of Job Corps

ETA, including the Office of Job Corps, incurred total net costs of $42.6 billion in FY 2016. The majority of these costs consisted of unemployment benefits, which totaled $31.9 billion in FY 2016, an increase of $0.2 billion (0.6 %) over the previous fiscal year. Also included in ETA's total net costs were investments in human capital of $4.4 billion, which provided services to over 7.8 million participants in FY 2016. These investments were made through job training programs authorized by the Workforce Innovation and Opportunity Act (WIOA), 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, the American Recovery and Reinvestment Act of 2009 (ARRA) and other legislation.

Within ETA the Office of Job Corps also invests in human capital through WIOA's Job Corps training program. OJC's investment in human capital in FY 2016 was $1.6 billion, providing services to 110.8 thousand participants in primarily residential settings at 126 Job Corps centers. The ETA and OJC job training programs authorized by WIOA are discussed below.

Adult, Dislocated Worker, Youth and Job Corps Programs
Authorized by the Workforce Innovation and Opportunity Act (WIOA)

- **Apprenticeship program –** This is a new program that has been added effective Program Year 2017. ETA awards grants to the states 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 2016 investment in WIOA apprenticeship programs was $471 thousand and will be reported in the ETA and OJC Investments in Human Capital table beginning in FY 2017.
- **Adult employment and training programs** – ETA awards grants to states to design and operate training and employment assistance programs for disadvantaged adults, including public assistance recipients. ETA's FY 2016 investment in human capital through the WIOA Adult programs was $868 million.
- **Dislocated worker employment and training programs** – ETA awards grants to states to provide reemployment services and retraining assistance to individuals dislocated from their employment. ETA's FY2016 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 2016 investment in human capital through the WIOA Youth programs was $912 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 27 centers are operated through interagency agreements between DOL and the U.S. Department of Agriculture, Forest Service. In addition, 51 operators are contracted to provide outreach and admissions and career transition services. OJC's FY 2016 investment in human capital through the Job Corps program was $1.6 billion.

- **Reintegration of Ex-Offenders 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 adult and juvenile ex-offenders into mainstream society. ETA's FY 2016 investment in human capital through the Ex-offender programs was $77 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 2016 human capital investment in WIOA National Programs was $140 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 2016 investment in human capital through the CSEOA's SCSEP was $431 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. The Trade Adjustment Assistance Reauthorization Act of 2015, title IV of the Trade Preferences Extension Act of 2015 (Public Law 114-27), was signed into law by President Barack Obama on June 29, 2015, and both amended and reauthorized the TAA Program. 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 (TRA); job search and relocation allowances; Health Coverage Tax Credit (HCTC) (as determined by the Internal Revenue Service); and for workers age 50 and older, a wage supplement in the form of Reemployment Trade Adjustment Assistance (RTAA). 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 Workforce Innovation Opportunity Act and the Wagner Peyser Act. Only TAA training costs are considered investments in human capital; these costs were $208 million for FY 2016.

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 2016 human capital investment in the TAACCCT Grant Fund was $382 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

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

like construction where apprenticeships have a long and successful history. The National Apprenticeship Act of 1937 established the foundation for development of the nation's skilled workforce through Registered Apprenticeship programs, which combine on-the-job learning with related technical instruction to teach workers the theoretical aspects of skilled occupations. ETA's FY 2016 investment in Apprenticeship programs was $36 million.

Program Costs and Outputs

The cost of ETA and OJC investments in human capital and the participants served are shown in the chart below, for the five year period FY 2016 through FY 2012.

ETA and OJC Investments in Human Capital
Program Costs (in Millions) and Participants Served (1) (in Thousands)
For The Five Year Period FY 2012 through FY 2016

	2016		2015		2014		2013		2012	
Program	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***	**Costs**	***Part. Served***
WIOA										
Adult	$868	*6,124.1*	$852	*6,520.8*	$846	*6,105.3*	$883	*6,761.5*	$861	*6,979.1*
Dislocated Worker(2)	1,172	*561.7*	1,165	*655.3*	1,189	*853.8*	1,329	*1,340.4*	1,524	*1,358.4*
Youth(3)	912	*163.6*	878	*200.3*	905	*204.1*	942	*224.0*	944	*239.6*
Job Corps(4)	1,638	*110.8*	1,605	*109.5*	1,537	*109.6*	1,525	*79.6*	1,770	*97.5*
Ex-Offenders	77	*14.9*	69	*11.2*	85	*11.8*	96	*22.2*	76	*49.1*
National Programs(5)	140	*83.0*	140	*49.2*	149	*52.2*	170	*60.0*	180	*38.7*
CSEOA										
SCSEP	$431	*65.2*	$436	*67.4*	$428	*67.7*	$445	*66.9*	$492	*76.9*
TAA for Workers	208	*44.0*	232	*51.1*	277	*67.9*	257	*105.1*	431	*144.7*
TAACCCT(6)	382	*181.4*	413	*140.9*	416	*66.5*	266	*18.1*		
Apprenticeship	36	*504.8*	34	*430.4*	32	*392.1*	28	*366.0*	29	*410.0*
Other(7)	140	*105.9*	130	*87.3*	113	*28.8*	212	*109.3*	95	*357.7*
TOTAL	$6,004	*7,959.4*	$5,954	*8,323.4*	$5,977	*7,959.8*	$6,153	*9,153.1*	$6,402	*9,751.7*

(1) Participant numbers are from grantee reports submitted for the Program Year (PY) ending on June 30 of the corresponding fiscal year.
(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 FY2013 and prior years 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) 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 and Data Quality Initiatives.

Program Outcomes

Outcomes for training programs comprising ETA's investment in human capital are presented in the Department's Annual Performance Report for FY 2016, available on the DOL website at www.dol.gov/ sec/media/reports/ in 2017.

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 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. 202, 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.
- **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.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

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

VETS is responsible for administering USERRA, which protects civilian job rights and benefits for active service members, veterans, and members of the National Guard and Reserves. USERRA, authorized under 38 U.S.C. 4301-4335, 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. 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(1) (in Thousands)
For Fiscal Years (FY) 2012 through FY 2016

	2016		2015		2014		2013		2012	
Program	Cost	Part. Served	Cost	Part. Served	Cost	Part. Served	Cost	Part. Served	Cost(2)	Part. Served
JVSG(3)	$174,996	154.0	$173,453	185.6	$170,764	332.1	$162,999	450.6	$210,671	508.8
TAP(4)	14,100	140.2	13,917	180.8	14,103	207.0	13,176	187.0	13,093	153.0
USERRA(5)	12,734	7.6	12,782	7.6	12,487(6)	10.9	11,381	47.5	12,361	74.7
HVRP	38,056	16.6	38,146	17.0	36,885	16.1	40,691	17.4	35,562	19.8
TOTAL	$239,886	318.4	$238,298	391.0	$234,239	566.1	$228,247	702.5	$271,687	756.3

(1) Funding for the VETS' Veterans Workforce Improvement Program (VWIP) ended in FY 2013; therefore, was removed from the table.
(2) FY 2012 cost allocated based on historical program cost.
(3) This category was previously broken into its constituent components of DVOPs and LVERs. However, to ensure consistency of each funding mechanism representing a single row, DVOPs and LVERs have been consolidated into a single row entitled JVSG - Jobs for Veterans State Grants.
(4) Department of Defense participant estimates, which are not finalized until the end of the first quarter of the following fiscal year.
(5) 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.
(6) This reflects a correction to the previous year's cost, which was inaccurately reported.

Program Outcomes

Outcomes for the programs comprising VETS' investment in human capital will be presented in the Department's Annual Performance Report for FY 2016, available in 2017 on the DOL website at: www.dol.gov/_sec/media/reports/.

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-OJC, and located at one hundred twenty-six (126) 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 each 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 2015, the portfolio's aggregate FCI score for 4,389 constructed assets was 93%, and deferred maintenance and repair costs to return the portfolio to an acceptable condition were estimated at $226.5 million, as adjusted for SFFAS 42, Deferred Maintenance and Repairs: *Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*. In FY 2016, the portfolio's aggregate FCI score for 4,478 constructed assets was 91%, and DM&R costs to return the portfolio to an acceptable condition are estimated at $276.2 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.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Deferred Maintenance and Repairs Costs
(Dollars in Thousands)

Asset Category	FY 2016 Ending Balance	FY 2016 Beginning Balance
Funded:		
Structures, facilities and improvements		
Active	$75,609	$87,569
Inactive	270	268
Subtotal, funded	75,879	87,837
Unfunded:		
Structures, facilities and improvements		
Active	200,137	138,428
Inactive	212	211
Subtotal, unfunded	200,349	138,639
Total	**$** 276,228	**$** 226,476

Significant Changes from Prior Year

The presentation of DM&R Costs reflects the reporting requirements effective in FY 2015 in accordance with SFFAS 42*;* funded deficiencies, as well as critical and programmatic deficiencies are included in the reported amounts.

For reporting purposes, DOL has determined that changes of 10% and $25 million between fiscal year beginning and ending balances are significant. The significant increase of $61.7 million in unfunded deficiencies for active structures, facilities and improvements as of September 30, 2016 is a net result of new deficiencies identified during the annual facility survey process, as well as prior deficiencies which may have had cost estimates updated for the current fiscal year. These deficiencies are currently undergoing review in order to make the appropriate funding determinations.

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.

Program Finances and Sustainability

As of September 30, 2016, total assets within the UTF exceeded total liabilities by $45.3 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, 2016 was $54.1 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 2016 was $1.2 billion. Federal and state UI tax and reimbursable revenues of $48.5 billion and regular, extended and emergency benefit payment expense of $31.9 billion were recognized for the year ended September 30, 2016.

As discussed in Note 1-K.1 to the consolidated financial statements, DOL recognized a liability for regular, extended and emergency 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, 2016 were $1.4 billion.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

During FY 2016, 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 $8.5 billion bearing interest between 2.375% and 2.875% as of September 30, 2016.

Subsequent Events

In October 2016, the UTF repaid $1.3 billion of Advances from U.S. Treasury; these EUCA borrowings bore interest rates of 2.75% and 2.875%.

Effect of Projected Cash Inflows and Outflows on the Accumulated Net Assets of the UTF, in Constant Dollars

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 2016 as the base year. The valuation date for the projections is September 30, 2016. 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.

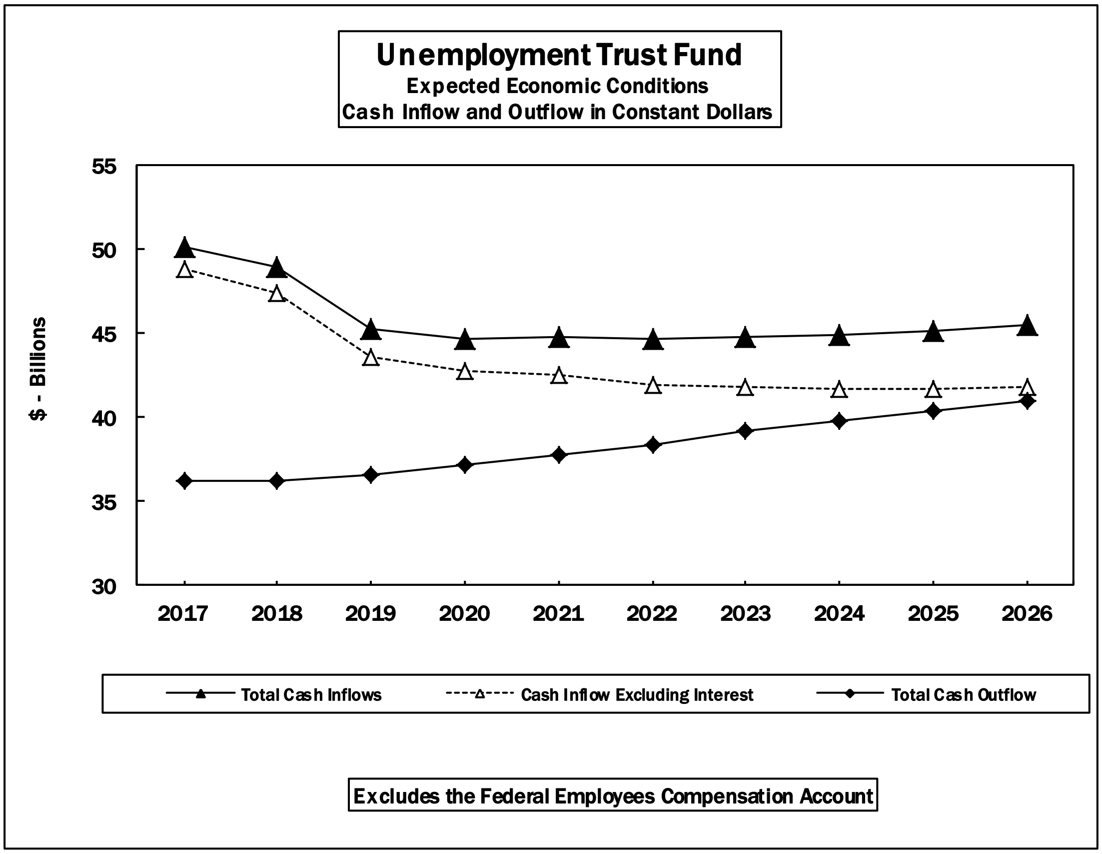
Expected Economic Conditions

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

Projected Cash Inflows and Outflows, in Constant Dollars, Under Expected Economic Conditions

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 4.68% during FY 2017 and remaining between 4.60% and 4.80%. Total cash inflows exceed total cash outflows in FY 2017 and through the end of the projected period. As presented in table (1) Expected Economic Conditions, the net inflow (excluding interest) decreases from $12.6 billion in FY 2017 to $11.2 billion in FY 2018, and decreases from about $7.0 billion to less than $900 million between FYs 2019 and 2026. The net inflow is sustained primarily by the excess of Federal tax collections over Federal expenditures in FYs 2017 through 2023 and then primarily by interest on Federal securities in FYs 2024 through 2026.

Chart I



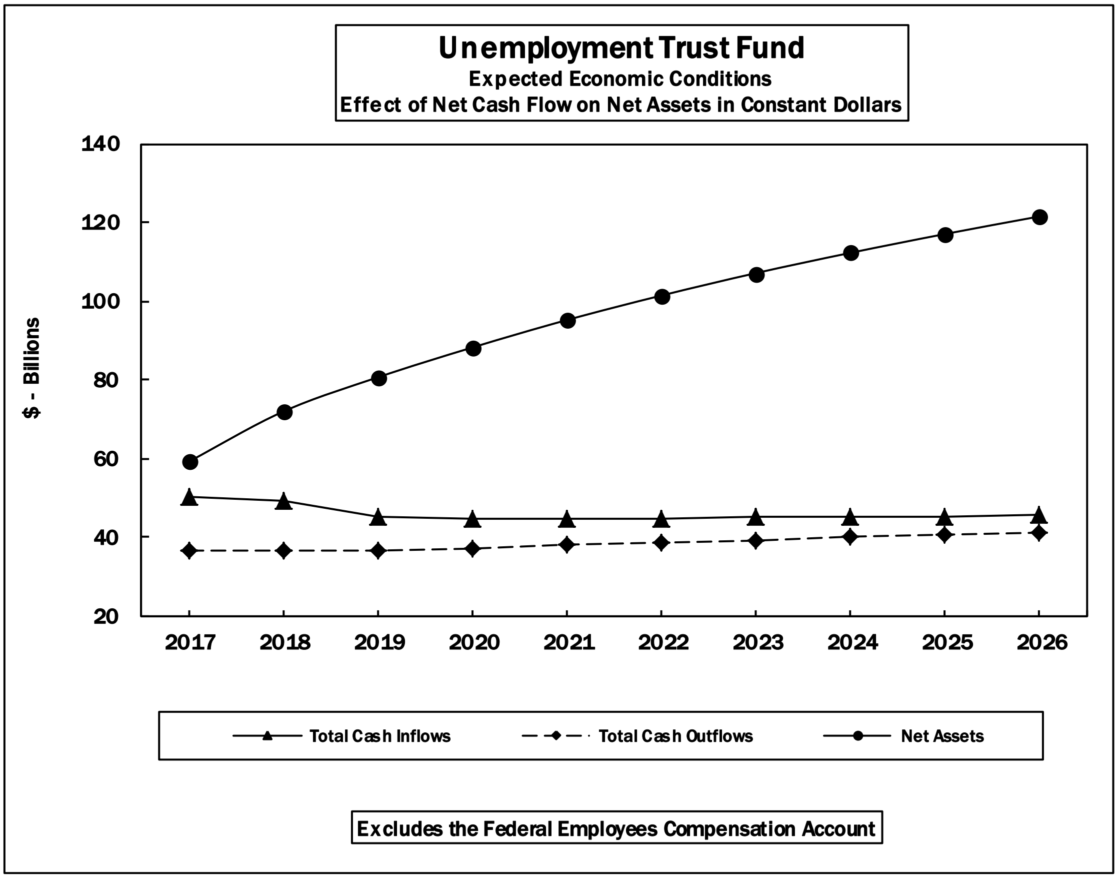
<u>Effect of Expected Cash Flows on UTF Assets in Constant Dollars</u>

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, 2026. 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 2017 and all other years in the projected period. The excess of total cash inflows over total cash outflows is highest in FY 2017. As presented in table (1) Expected Economic Conditions, starting at a nearly $45.2 billion fund balance at the beginning of FY 2017, net UTF assets increase nearly $76.3 billion over the next ten years to a nearly $121.5 billion fund net assets balance by the end of FY 2026. Chart II depicts the increase in the net assets of the fund.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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, 2026, 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.

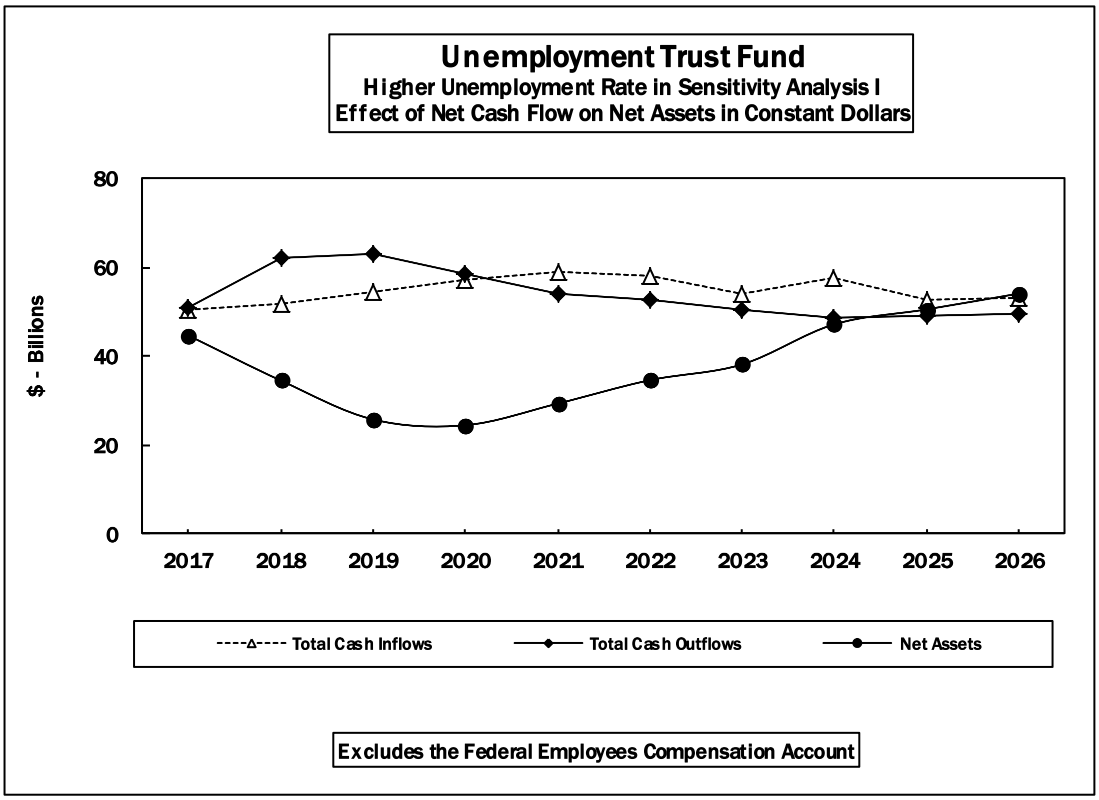
Table I

Total Unemployment Rate for the Ten-Year Period Ending September 30, 2026										
Conditions	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Expected	4.68%	4.60%	4.60%	4.65%	4.70%	4.75%	4.80%	4.80%	4.80%	4.80%
Sensitivity Analysis I	5.83%	7.23%	7.31%	6.54%	5.69%	5.56%	5.20%	4.80%	4.80%	4.80%
Sensitivity Analysis II	6.11%	8.48%	10.28%	8.30%	7.32%	7.11%	6.67%	5.76%	4.77%	4.80%

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

In this sensitivity analysis, which utilizes a higher unemployment rate of 5.83% beginning in FY 2017, as presented in table (2) Sensitivity Analysis I Higher Unemployment Rate, net cash inflows are negative in FYs 2017 through 2020, but become positive in FY 2021 and continue to be positive through 2026. Chart III depicts the cross-over points where cash outflows exceed cash inflows before 2018 and cash inflows exceed cash outflows before FY 2021. Starting at a nearly $45.2 billion fund balance at the beginning of FY 2017, net UTF assets increase by nearly $9.0 billion over the next ten years to about a $54.1 billion fund net assets balance by the end of FY 2026. Chart III depicts the increase in net assets.

Chart III

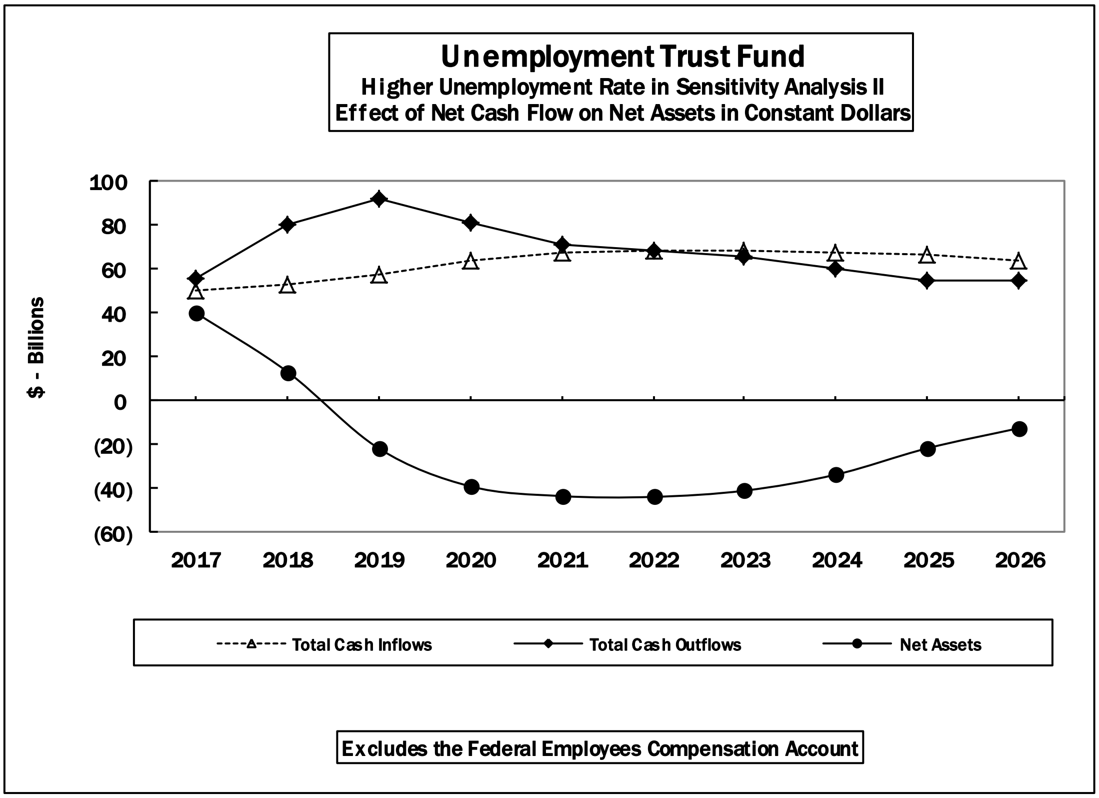


Effect on UTF Assets, in Constant Dollars, in Sensitivity Analysis II

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 2017 through 2022 by amounts between about $400 million and $35.0 billion, but outflows exceed inflows in FYs 2023 through 2026 by amounts between $2.8 billion and $12.0 billion. Net cash inflows are reestablished in FY 2023 and peak in FY 2025 with a drop in the unemployment rate to 8.30% in FY 2020 and then steadily downward for FYs 2021 through 2026. Chart IV depicts the cross-over points where outflows exceed inflows before FY 2018 and inflows exceed outflows before FY 2023. The fund net assets decrease nearly $57.7 billion from a $ 45.2 billion fund balance at the beginning of FY 2017 to a nearly $(12.5) billion fund deficit in FY 2026. Chart IV depicts the low point in the fund's financial position at a fund deficit of $43.8 billion in FY 2022 and then the decrease in fund deficit around FY 2023. At the end of the projection period of Sensitivity Analysis II, net assets are about $133.9 billion less than under expected economic conditions.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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, 2026
(1) EXPECTED ECONOMIC CONDITIONS

(Dollars in millions)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Balance, start of year	$ 45,192	$ 59,117	$ 71,860	$ 80,549	$ 88,130	$ 95,108	$ 101,336	$ 107,037	$ 112,189	$ 116,978
Cash inflow										
State unemployment taxes	40,621	38,936	37,639	36,911	36,722	36,250	36,184	36,030	36,138	36,323
Federal unemployment taxes	8,034	8,359	5,799	5,749	5,691	5,636	5,580	5,530	5,488	5,435
General revenue appropriation	-	-	-	-	-	-	-	-	-	-
Interest on loans	60	9	1	1	1	1	1	1	1	1
Deposits by the Railroad Retirement Board	129	147	152	125	91	92	117	130	118	99
Total cash inflow excluding interest	48,844	47,451	43,591	42,786	42,505	41,979	41,882	41,691	41,745	41,858
Interest on Federal securities	1,352	1,513	1,700	1,956	2,285	2,653	2,977	3,248	3,457	3,622
Total cash inflow	50,196	48,964	45,291	44,742	44,790	44,632	44,859	44,939	45,202	45,480
Cash outflow										
State unemployment benefits	31,838	31,901	32,338	32,919	33,589	34,195	34,967	35,608	36,247	36,857
State administrative costs	4,020	4,010	3,998	3,988	3,972	3,959	3,943	3,931	3,920	3,903
Federal administrative costs	167	166	165	164	163	162	161	161	159	157
Interest on tax refunds	1	1	1	1	1	1	1	1	1	1
Interest on advances	137	48	9	-	-	-	-	-	-	-
Railroad Retirement Board withdrawals	108	95	91	89	87	87	86	86	86	86
Total cash outflow	36,271	36,221	36,602	37,161	37,812	38,404	39,158	39,787	40,413	41,004
Excess of total cash inflow excluding interest over total cash outflow	12,573	11,230	6,989	5,625	4,693	3,575	2,724	1,904	1,332	854
Excess of total cash inflow over total cash outflow	13,925	12,743	8,689	7,581	6,978	6,228	5,701	5,152	4,789	4,476
Balance, end of year	$ 59,117	$ 71,860	$ 80,549	$ 88,130	$ 95,108	$ 101,336	$ 107,037	$ 112,189	$ 116,978	$ 121,454
Total unemployment rate	4.68%	4.60%	4.60%	4.65%	4.70%	4.75%	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, 2026
(2) SENSITIVITY ANALYSIS I HIGHER UNEMPLOYMENT RATE

(Dollars in millions)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Balance, start of year	$ 45,192	$ 44,682	$ 34,553	$ 25,791	$ 24,487	$ 29,355	$ 34,643	$ 38,188	$ 47,215	$ 50,589
Cash inflow										
State unemployment taxes	41,252	42,740	44,950	47,369	48,065	46,730	45,681	44,192	43,524	42,747
Federal unemployment taxes	7,909	8,040	8,212	8,844	9,756	9,961	6,875	11,485	7,020	8,119
General revenue appropriation	-	-	-	-	-	-	-	-	-	-
Interest on loans	81	108	183	251	274	277	307	322	320	329
Deposits by the Railroad Retirement Board	129	147	152	125	91	92	117	130	118	99
Total cash inflow excluding interest	49,371	51,035	53,497	56,589	58,186	57,060	52,980	56,129	50,982	51,294
Interest on Federal securities	1,162	991	867	856	966	1,152	1,284	1,536	1,665	1,755
Total cash inflow	50,533	52,026	54,364	57,445	59,152	58,212	54,264	57,665	52,647	53,049
Cash outflow										
State unemployment benefits	46,195	57,325	58,328	53,985	49,561	48,291	46,188	44,157	44,871	45,256
State administrative costs	4,406	4,414	4,344	4,253	4,194	4,136	4,077	4,056	4,041	3,920
Federal administrative costs	167	166	165	164	163	162	161	161	159	157
Interest on tax refunds	1	1	1	1	1	2	1	2	1	2
Interest on advances	166	154	197	257	278	246	206	176	115	72
Railroad Retirement Board withdrawals	108	95	91	89	87	87	86	86	86	86
Total cash outflow	51,043	62,155	63,126	58,749	54,284	52,924	50,719	48,638	49,273	49,493
Excess (deficiency) of total cash inflow excluding interest over (under) total cash outflow	(1,672)	(11,120)	(9,629)	(2,160)	3,902	4,136	2,261	7,491	1,709	1,801
Excess (deficiency) of total cash inflow over (under) total cash outflow	(510)	(10,129)	(8,762)	(1,304)	4,868	5,288	3,545	9,027	3,374	3,556
Balance, end of year	$ 44,682	$ 34,553	$ 25,791	$ 24,487	$ 29,355	$ 34,643	$ 38,188	$ 47,215	$ 50,589	$ 54,145
Total unemployment rate	5.83%	7.23%	7.31%	6.54%	5.69%	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, 2026
(3) SENSITIVITY ANALYSIS II HIGHER UNEMPLOYMENT RATE

(Dollars in millions)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Balance, start of year	$ 45,192	$ 40,115	$ 13,223	$ (21,738)	$ (38,982)	$ (43,416)	$ (43,782)	$ (40,945)	$ (33,624)	$ (21,622)
Cash inflow										
State unemployment taxes	41,561	44,098	47,927	53,147	54,954	54,006	52,323	50,457	48,602	46,218
Federal unemployment taxes	7,889	7,945	7,994	8,848	10,262	11,914	13,558	14,062	15,276	14,682
General revenue appropriation	-	-	-	-	-	-	-	-	-	-
Interest on loans	88	218	607	1,034	1,319	1,533	1,676	1,697	1,598	1,450
Deposits by the Railroad Retirement Board	129	147	152	125	91	92	117	130	118	99
Total cash inflow excluding interest	49,667	52,408	56,680	63,154	66,626	67,545	67,674	66,346	65,594	62,449
Interest on Federal securities	1,129	833	612	538	603	713	836	973	1,163	1,350
Total cash inflow	50,796	53,241	57,292	63,692	67,229	68,258	68,510	67,319	66,757	63,799
Cash outflow										
State unemployment benefits	50,796	74,782	86,642	74,957	65,397	62,211	59,262	53,704	48,633	48,894
State administrative costs	4,635	4,811	4,659	4,503	4,408	4,327	4,223	4,123	4,092	3,928
Federal administrative costs	167	166	165	164	163	162	161	161	159	157
Interest on tax refunds	1	1	1	1	1	2	2	3	3	3
Interest on advances	166	278	695	1,222	1,607	1,835	1,939	1,921	1,782	1,572
Railroad Retirement Board withdrawals	108	95	91	89	87	87	86	86	86	86
Total cash outflow	55,873	80,133	92,253	80,936	71,663	68,624	65,673	59,998	54,755	54,640
Excess (deficiency) of total cash inflow excluding interest over (under) total cash outflow	(6,206)	(27,725)	(35,573)	(17,782)	(5,037)	(1,079)	2,001	6,348	10,839	7,809
Excess (deficiency) of total cash inflow over (under) total cash outflow	(5,077)	(26,892)	(34,961)	(17,244)	(4,434)	(366)	2,837	7,321	12,002	9,159
Balance, end of year	$ 40,115	$ 13,223	$ (21,738)	$ (38,982)	$ (43,416)	$ (43,782)	$ (40,945)	$ (33,624)	$ (21,622)	$ (12,463)
Total unemployment rate	6.11%	8.48%	10.28%	8.30%	7.32%	7.11%	6.67%	5.76%	4.77%	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 2016.

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		**Not Minimally Solvent**			
State	Ratio	State	Ratio	State	Ratio
Wyoming	2.29	Kansas	0.93	North Dakota	0.49
Oregon	1.93	North Carolina	0.92	Rhode Island	0.46
Mississippi	1.85	Arkansas	0.90	Illinois	0.40
Oklahoma	1.85	Tennessee	0.88	Arizona	0.34
Nebraska	1.79	Alabama	0.87	Pennsylvania	0.32
Utah	1.78	Michigan	0.85	Connecticut	0.30
South Dakota	1.65	Virginia	0.84	Massachusetts	0.30
Vermont	1.63	Maryland	0.83	Texas	0.25
Alaska	1.53	Georgia	0.79	Kentucky	0.23
Montana	1.44	Nevada	0.65	New York	0.22
Louisiana	1.33	Wisconsin	0.62	Ohio	0.20
Washington	1.33	Colorado	0.59	West Virginia	0.14
Idaho	1.32	Missouri	0.58	Indiana	0.05
Iowa	1.29	South Carolina	0.58	California	0.00
Hawaii	1.24	Delaware	0.56	Virgin Islands	0.00
Puerto Rico	1.14	New Jersey	0.52		
Maine	1.13				
District of Columbia	1.09				
New Hampshire	1.08				
New Mexico	1.08				
Florida	1.02				
Minnesota	1.00				

*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, 2016, total liabilities of the BLDTF exceeded assets by $5.6 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, 2016 was $5.7 billion, bearing interest rates ranging from 0.589% to 4.556%. Excise tax revenues of $439.6 million, benefit payment expense of $122.8 million, and interest expense of $213.7 million were recognized for the year ended September 30, 2016. 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, 2016, the BLDTF issued debt in the amount of $910.0 million, bearing interest at 0.589% and maturing on September 30, 2017. At September 30, 2016, there were 25 debt instruments with staggered maturities of September 30 for years 2017 through 2040, with a total carrying value of nearly $5.7 billion and a total face value at maturity of nearly $8.9 billion. Of these 25 debt instruments, 24 are from the October 2008 refinancing and one debt instrument was issued on September 30, 2016.

Subsequent Events

Management disclosed that the U.S. Supreme Court stay of regulation pursuant to the Clean Power Plan remained in effect as of September 30, 2016. As of December 15, 2016 the stay remained in effect. DOL did not change its sources or approaches for estimating future excise tax income because of the stay.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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, for FY 2016 reporting the SOSI presents values for the closed group, new participants, and open group. The significant assumptions used in the projections, in constant dollars, are coal excise tax revenue estimates, the tax rate structure, the number of beneficiaries, life expectancy, Federal civilian pay raises, medical cost inflation, the 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 2016 as the base year. The valuation date for the projections is September 30, 2016. Cash projections depend on the assumptions used and actual experience may differ materially from the projections.

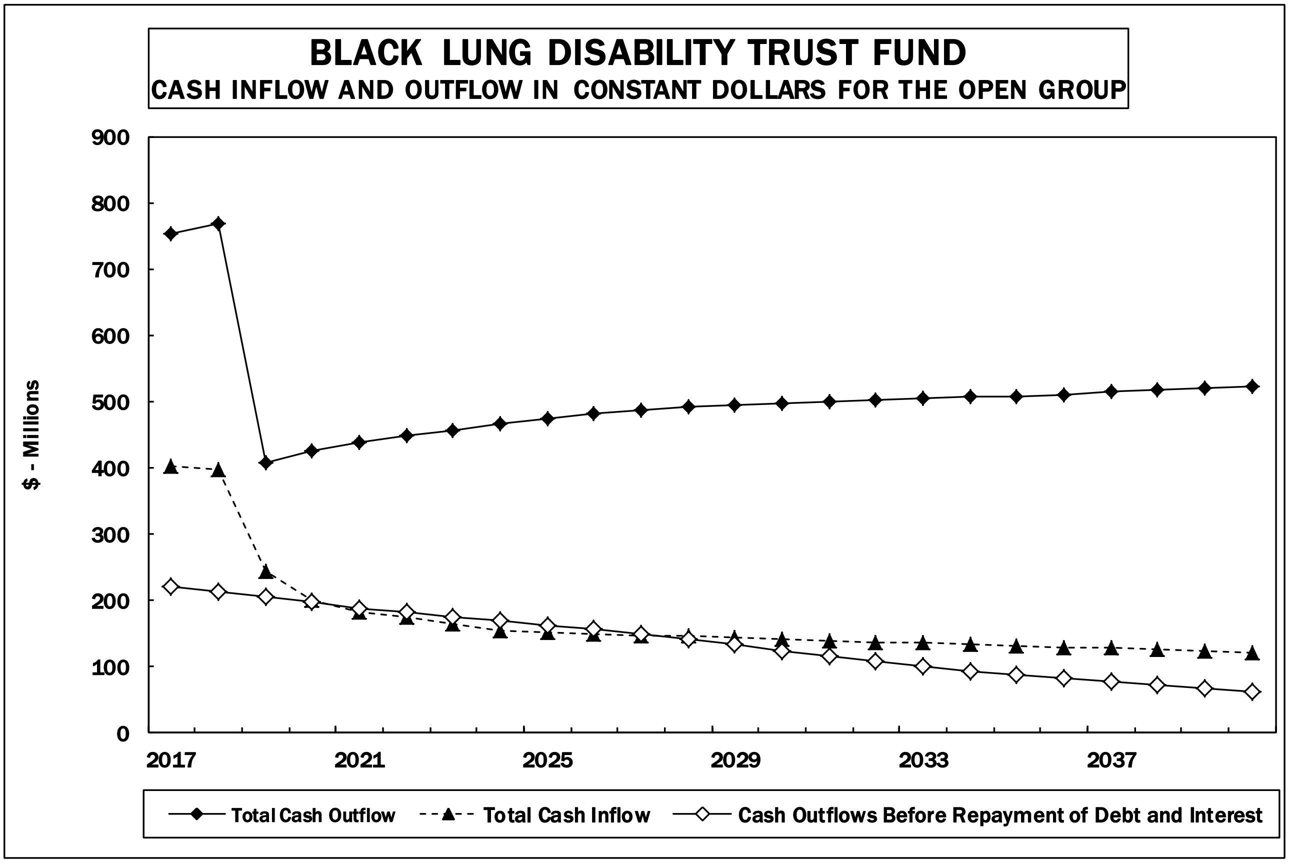
In FY 2016, the coal excise tax revenue estimates reflect regulation pursuant to the Clean Power Plan (CPP), DOL's actual excise tax collections, and actual coal production as reported by the Energy Information Administration and future cash inflows from excise taxes have decreased significantly from those reported in prior years. The effects of the significant decrease in cash inflows from excise taxes are also reflected in the Statement of Social Insurance as of September 30, 2016 and are the largest change reported in the Statement of Changes in Social Insurance Amounts for the year ended September 30, 2016.

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

The projections, in constant dollars for the open group, made over the 24-year period ending September 30, 2040, indicate that cash inflows from excise taxes will exceed cash outflows for benefit payments and administrative expenses for most of the years in the projection period. Cumulative net cash inflows are projected to reach $827.0 million by FY 2040. However, 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 $8.1 billion by the end of FY 2040, resulting in a projected deficit of nearly $10.95 billion at September 30, 2040. 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, 2016, 2015, 2014, 2013, and 2012 are presented in the SOSI.

Chart I

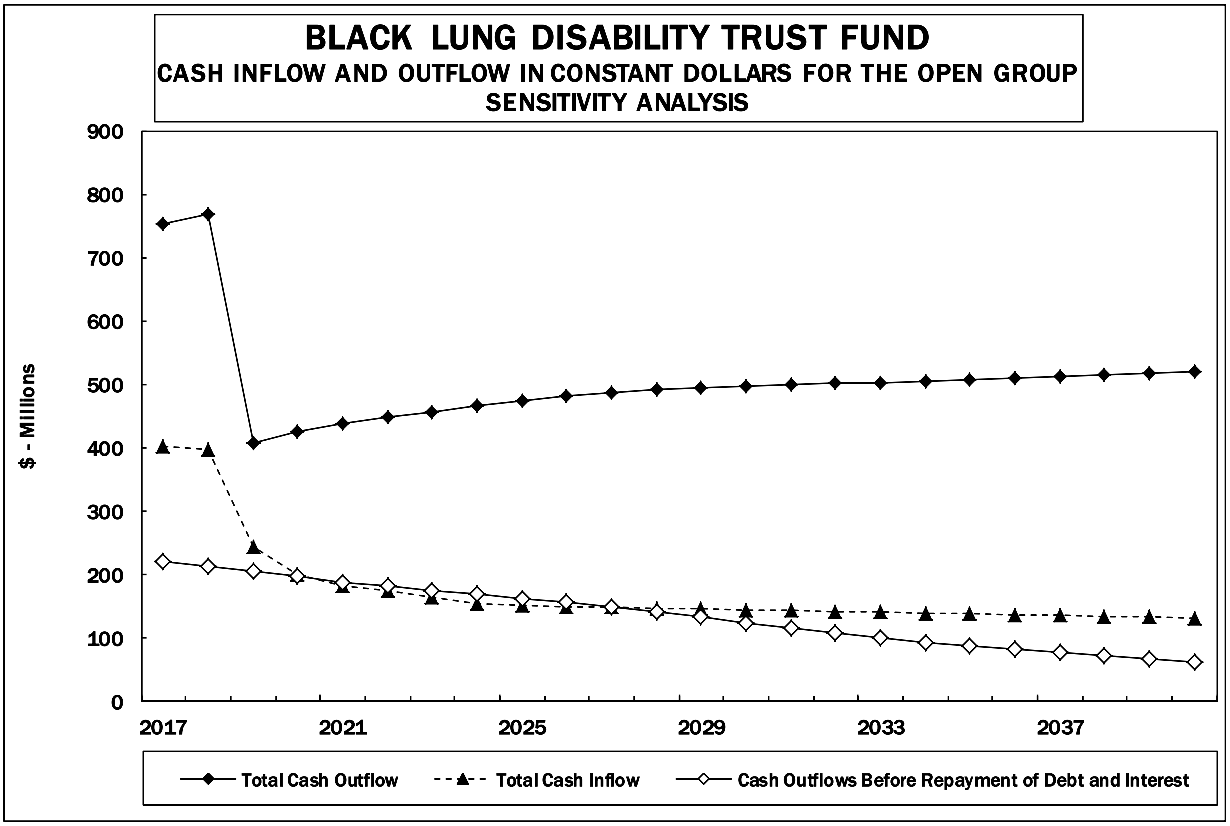


<u>Projected Cash Inflows and Outflows with Sensitivity Analysis, in Constant Dollars, for the Open Group</u>

For the projected cash inflows and outflows with sensitivity analysis, in constant dollars for the open group, the significant assumption for cash inflows from estimated taxes was changed to reflect a smaller negative growth rate in FYs 2027 through 2040 of (0.96)% instead of a negative growth rate of (1.48)%, before accounting for inflation of 2.30%; however, for FYs 2017 through 2026, the growth rate was left unchanged. Both growth rates for the FY 2027 through FY 2040 period are based on the U.S. Department of Energy, Energy Information Administration, estimates of future growth in coal production (as adjusted for coal exports and lignite) that reflect, among other things, regulation pursuant to the CPP. The larger negative growth rate of (1.48)% in FYs 2027 through 2040 reflects regulation pursuant to the Clean Power Plan and the average growth in future coal production after decreases in production during FYs 2017 through 2026. The smaller negative growth rate of (0.96)% reflects a midpoint between the negative (1.48)% average growth rate and a negative (0.44)% average growth rate in FYs 2027 through 2040 had the regulation been absent. For the sensitivity analysis, the other significant assumptions (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 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 24-year period ending September 30, 2040, indicate that cash inflows from excise taxes would exceed cash outflows for benefit payments and administrative expenses for most of the years in the projection period. Cumulative net cash inflows would be projected to reach $900.3 million by the year 2040. However, when payments from the BLDTF's maturing debt are applied against this surplus cash inflow, the BLDTF's cash flow would turn negative in all periods included in the projections. Net cash outflows after payments on maturing debt would be projected to reach nearly $8.0 billion by the end of the year 2040, and would result in a projected deficit of $10.86 billion at September 30, 2040 (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 negative growth rate for cash inflows from estimated taxes in FYs 2027 through 2040, 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 increase $55,265 from $2,906,046 to $2,961,311;
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 remain unchanged; and
4. the closed group measure would increase $55,265 from $593,463 to $648,728.

(b) In the SOSI, for the new participants:

(1) the present value of estimated future excise tax income during the projection period would increase $27,615 from $1,452,086 to $1,479,701;
(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 remain unchanged; 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 increase $27,615 from $296,541 to $324,156.

(c) In the SOSI, for the open group:

(1) the present value of estimated future excise tax income during the projection period would increase $82,880 from $4,358,132 to $4,441,012;
(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 remain unchanged; and
(4) the open group measure would increase $82,880 from $890,004 to $972,884.

(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 increase $55,265 from $593,463 to $648,728;
(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 increase $55,265 from $707,319 to $762,584.

(f) In the SOSI Summary Section, for the open group:

(1) the open group measure would increase $82,880 from $890,004 to $972,884;
(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 increase $82,880 from $1,003,860 to $1,086,740.

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 24-YEAR PERIOD ENDING SEPTEMBER 30, 2040
OPEN GROUP

(Dollars in thousands)	2017	2018	2019	2020	2021	2022 - 2040	Total
Balance, start of year	$ (5,604,460)	$ (5,571,947)	$ (5,571,723)	$ (5,626,933)	$ (5,741,276)	$ (5,888,349)	$ (5,604,460)
Cash inflow							
Excise taxes	401,282	397,613	242,797	200,802	182,743	2,664,789	4,090,026
Total cash inflow	401,282	397,613	242,797	200,802	182,743	2,664,789	4,090,026
Cash outflow							
Disabled coal miners benefits	151,154	144,657	134,759	126,176	117,769	1,248,468	1,922,984
Administrative costs	68,066	68,660	69,136	69,661	70,082	994,422	1,340,026
Cash outflows before repayment of debt and interest	219,220	213,317	203,895	195,837	187,851	2,242,890	3,263,010
Cash inflow over cash outflow before repayment of debt and interest	182,063	184,296	38,902	4,965	(5,108)	421,899	827,016
Maturity of obligations refinanced October 2008	529,172	538,222	170,423	179,823	188,745	4,420,813	6,027,198
Interest on annual borrowings	5,247	16,379	34,122	48,749	60,993	2,733,909	2,899,399
Total cash outflow	753,639	767,918	408,440	424,408	437,589	9,397,612	12,189,607
Total cash outflow over total cash inflow	(352,357)	(370,306)	(165,643)	(223,607)	(254,846)	(6,732,823)	(8,099,581)
Reduction of debt refinanced October 2008	384,870	370,529	110,432	109,265	107,773	1,672,310	2,755,180
Balance, end of year	$ (5,571,947)	$ (5,571,723)	$ (5,626,933)	$ (5,741,276)	$ (5,888,349)	$ (10,948,861)	$ (10,948,861)

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 24-YEAR PERIOD ENDING SEPTEMBER 30, 2040

OPEN GROUP

(Dollars in thousands)	2017	2018	2019	2020	2021	2022 - 2040	Total
Balance, start of year	$ (5,604,460)	$ (5,571,947)	$ (5,571,723)	$ (5,626,933)	$ (5,741,276)	$ (5,888,349)	$ (5,604,460)
Cash inflow							
Excise taxes	401,282	397,613	242,797	200,802	182,743	2,738,115	4,163,352
Total cash inflow	401,282	397,613	242,797	200,802	182,743	2,738,115	4,163,352
Cash outflow							
Disabled coal miners benefits	151,154	144,657	134,759	126,176	117,769	1,248,468	1,922,984
Administrative costs	68,066	68,660	69,136	69,661	70,082	994,422	1,340,026
Cash outflows before repayment of debt and interest	219,220	213,317	203,895	195,837	187,851	2,242,890	3,263,010
Cash inflow over cash outflow before repayment of debt and interest	182,063	184,296	38,902	4,965	(5,108)	495,225	900,342
Maturity of obligations refinanced October 2008	529,172	538,222	170,423	179,823	188,745	4,420,813	6,027,198
Interest on annual borrowings	5,247	16,379	34,122	48,749	60,993	2,722,706	2,888,196
Total cash outflow	753,639	767,918	408,440	424,408	437,589	9,386,408	12,178,404
Total cash outflow over total cash inflow	(352,357)	(370,306)	(165,643)	(223,607)	(254,846)	(6,648,293)	(8,015,051)
Reduction of debt refinanced October 2008	384,870	370,529	110,432	109,265	107,773	1,672,310	2,755,180
Balance, end of year	$ (5,571,947)	$ (5,571,723)	$ (5,626,933)	$ (5,741,276)	$ (5,888,349)	$ (10,864,332)	$ (10,864,332)

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 2016 and FY 2015. 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, 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 account	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
Budgetary 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

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COMBINING STATEMENTS OF BUDGETARY RESOURCES
For the Year Ended September 30, 2015

(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	$ 1,943,330	$ 1,530,613	$ 937,506	$ 18,731
Recoveries of prior year unpaid obligations	446,573	4,843	52,546	7,368
Other changes in unobligated balance	(1,207,669)	(2,872)	22,718	(10,296)
Unobligated balance from prior year budget authority, net	1,182,234	1,532,584	1,012,770	15,803
Appropriations (discretionary and mandatory)	40,742,419	1,871,811	1,697,065	552,788
Spending authority from offsetting collections (discretionary and mandatory)	3,565,105	3,016,397	-	(1,242)
Total budgetary resources	$ 45,489,758	$ 6,420,792	$ 2,709,835	$ 567,349
STATUS OF BUDGETARY RESOURCES				
New obligations and upward adjustments (total)	$ 44,536,146	$ 4,966,004	$ 1,832,515	$ 556,916
Unobligated balance, end of year				
Apportioned, unexpired account	464,693	1,376,143	834,410	420
Exempt from apportionment, unexpired accounts	-	41,804	-	-
Unapportioned, unexpired accounts	53,366	31,538	4,183	-
Unexpired Unobligated Balance, End of Year	518,059	1,449,485	838,593	420
Expired unobligated balance, end of year	435,553	5,303	38,727	10,013
Total unobligated balance, end of year	953,612	1,454,788	877,320	10,433
Total budgetary resources	$ 45,489,758	$ 6,420,792	$ 2,709,835	$ 567,349
CHANGE IN OBLIGATED BALANCE				
Unpaid Obligations:				
Unpaid obligations, brought forward, October 1	$ 11,961,386	$ 268,292	$ 949,782	$ 96,545
New obligations and upward adjustments	44,536,146	4,966,004	1,832,515	556,916
Less: Outlays (gross)	(45,121,908)	(4,952,555)	(1,665,860)	(558,418)
Less: Recoveries of prior year unpaid obligations	(446,573)	(4,843)	(52,546)	(7,368)
Unpaid obligations, end of year	10,929,051	276,898	1,063,891	87,675
Uncollected Payments:				
Uncollected payments, Federal sources, brought forward, October 1	(1,984,537)	(21,490)	-	(2,979)
Change in uncollected payments, Federal sources	294,201	19,430	-	2,479
Uncollected payments, Federal sources, end of year	(1,690,336)	(2,060)	-	(500)
Memorandum (non-add) entries:				
Obligated balance, start of year	$ 9,976,849	$ 246,802	$ 949,782	$ 93,566
Obligated balance, end of year	$ 9,238,715	$ 274,838	$ 1,063,891	$ 87,175
BUDGET AUTHORITY AND OUTLAYS, NET				
Budget authority, gross (discretionary and mandatory)	$ 44,307,524	$ 4,888,208	$ 1,697,065	$ 551,546
Less: actual offsetting collections (discretionary and mandatory)	(3,978,975)	(3,036,190)	(34,014)	(1,357)
Less: change in uncollected customer payments from Federal sources (discretionary and mandatory)	294,201	19,430	-	2,479
Recoveries of prior year paid obligations (discretionary and mandatory)	119,669	363	34,014	120
Budgetary authority, net (discretionary and mandatory)	$ 40,742,419	$ 1,871,811	$ 1,697,065	$ 552,788
Outlays, gross (discretionary and mandatory)	$ 45,121,908	$ 4,952,555	$ 1,665,860	$ 558,418
Actual offsetting collections (discretionary and mandatory)	(3,978,975)	(3,036,190)	(34,014)	(1,357)
Outlays, net (discretionary and mandatory)	41,142,933	1,916,365	1,631,846	557,061
Distributed offsetting receipts	(1,044,765)	(1,852)	-	-
Agency outlays, net (discretionary and mandatory)	$ 40,098,168	$ 1,914,513	$ 1,631,846	$ 557,061

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
$ 9,648	$ 4,267	$ 5,007	$ 6,126	$ 42,953	$ 113,559	$ 4,611,740
4,666	5,912	5,711	7,582	5,459	23,917	564,577
(2,069)	(2,495)	(4,218)	(5,573)	(4,082)	(118)	(1,216,674)
12,245	7,684	6,500	8,135	44,330	137,358	3,959,643
527,212	375,888	181,000	38,109	274,812	629,714	46,890,818
86,953	1,886	6,177	231,872	-	378,942	7,286,090
$ 626,410	$ 385,458	$ 193,677	$ 278,116	$ 319,142	$ 1,146,014	$ 58,136,551
$ 618,830	$ 378,669	$ 188,194	$ 272,925	$ 284,414	$ 1,054,480	$ 54,689,093
807	597	813	213	26,910	62,113	2,767,119
-	-	-	-	-	-	41,804
-	-	-	-	2,455	8,488	100,030
807	597	813	213	29,365	70,601	2,908,953
6,773	6,192	4,670	4,978	5,363	20,933	538,505
7,580	6,789	5,483	5,191	34,728	91,534	3,447,458
$ 626,410	$ 385,458	$ 193,677	$ 278,116	$ 319,142	$ 1,146,014	$ 58,136,551
$ 107,127	$ 58,298	$ 55,723	$ 110,995	$ 34,057	$ 411,012	$ 14,053,217
618,830	378,669	188,194	272,925	284,414	1,054,480	54,689,093
(621,804)	(387,289)	(190,822)	(269,044)	(279,235)	(929,967)	(54,976,902)
(4,666)	(5,912)	(5,711)	(7,582)	(5,459)	(23,917)	(564,577)
99,487	43,766	47,384	107,294	33,777	511,608	13,200,831
-	-	-	-	-	(8,697)	(2,017,703)
-	-	(2,690)	-	-	6,657	320,077
-	-	(2,690)	-	-	(2,040)	(1,697,626)
$ 107,127	$ 58,298	$ 55,723	$ 110,995	$ 34,057	$ 402,315	$ 12,035,514
$ 99,487	$ 43,766	$ 44,694	$ 107,294	$ 33,777	$ 509,568	$ 11,503,205
$ 614,165	$ 377,774	$ 187,177	$ 269,981	$ 274,812	$ 1,008,656	$ 54,176,908
(87,385)	(2,063)	(3,514)	(232,094)	(251)	(386,716)	(7,762,559)
-	-	(2,690)	-	-	6,657	320,077
432	177	27	222	251	1,117	156,392
$ 527,212	$ 375,888	$ 181,000	$ 38,109	$ 274,812	$ 629,714	$ 46,890,818
$ 621,804	$ 387,289	$ 190,822	$ 269,044	$ 279,235	$ 929,967	$ 54,976,902
(87,385)	(2,063)	(3,514)	(232,094)	(251)	(386,716)	(7,762,559)
534,419	385,226	187,308	36,950	278,984	543,251	47,214,343
-	5,508	-	-	-	(16,942)	(1,058,051)
$ 534,419	$ 390,734	$ 187,308	$ 36,950	$ 278,984	$ 526,309	$ 46,156,292

OTHER INFORMATION

Inspector General's Top Management and Performance Challenges

U.S. Department of Labor Office of Inspector General
Washington, DC. 20210

October 17, 2016

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 2016. 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
- Securing and Managing Information Systems
- Reducing Improper Payments
- Monitoring and Managing Compounded Drug Medications in the FECA Program

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

Attachment

cc: Deputy Secretary Christopher Lu
Principal Chief Deputy Financial Officer Geoffrey Kenyon

Working for America's Workforce

Top Management and Performance Challenges Facing the Department of Labor

As of November 2016, the Office of Inspector General (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
- Securing and Managing Information Systems
- Reducing Improper Payments
- Monitoring and Managing Compounded Drug Medications in the FECA Program

CHALLENGE: Providing a Safe Learning Environment at Job Corps Centers

BACKGROUND

The Job Corps program provides residential and nonresidential education, training, and support services to approximately 50,000 disadvantaged, at-risk youth, ages 16-24, at 126 Job Corps centers nationwide. The goal of this $1.7 billion program is to offer an intensive intervention to this targeted population as a means to help them learn a career, earn a high school diploma or pass the high school equivalency test, and find and keep a good job.

CHALLENGE FOR THE DEPARTMENT

The Job Corps program remains challenged in its efforts to control violence and provide a safe learning environment at its centers. Without providing a safe learning environment for students and staff, Job Corps will struggle to meet its core mission of attracting young people who face economic disadvantages or come from debilitating environments, teaching them the skills they need to become employable and independent, and placing them in meaningful jobs or further education.

Job Corps centers have been troubled by violence and other criminal behavior for years, and the program remains challenged in its efforts to prevent violence and provide a safe learning environment at its centers. In 2015, two students were murdered at two different Job Corps centers, allegedly by fellow students. OIG audits prior to these serious incidents disclosed that some Job Corps centers failed to report and investigate serious misconduct, including drug abuse and assaults, or downgraded incidents of violence to lesser infractions to keep students enrolled, creating an unsafe environment for students and staff. Our continuing work in this area revealed Job Corps had not determined what law enforcement organization had jurisdiction to enforce criminal laws on 99 center campuses operated by contractors. Where law enforcement agreements were in place, they lacked the specificity needed to ensure timely and effective law enforcement involvement. Furthermore, Job Corps had not conducted system-wide assessments of center campuses to determine the security challenges it faced. We found a variety of problems at the centers we visited, such as inadequate security camera monitoring and security staff shortages. We also found that Job Corps did not require background checks for all center employees.

DEPARTMENT'S PROGRESS

Job Corps established a Division of Regional Operations and Program Integrity, in part, to improve oversight of center safety. Job Corps also developed a Risk Management Dashboard that allows for targeted interventions at centers before problems fully emerge that could lead to safety issues. Additionally, Job Corps began conducting center culture and safety assessments and unannounced monitoring trips that review center safety, security, and culture through direct observation and interviews with center staff and students. During the year, Job Corps revised its "Zero-Tolerance" student conduct policy to increase student accountability and clarify center staff authority to address misconduct. Also, Job Corps stated "Industry Foundation Courses" were being implemented to quickly ramp up students' academic and technical knowledge and skills. The courses are intended to increase student engagement and retention, and decrease behavioral issues. Job Corps is currently piloting a new enrollment process for potential students. The new enrollment process requires recruitment contractors to assess applicants' readiness to participate in the program. Job Corps is implementing a more thorough process for conducting criminal background checks on potential students that includes a national search, as opposed to previous local searches. Job Corps is also implementing a toll-free student safety hotline. The hotline will handle calls of an urgent nature, including calls that relate to the safety and security of Job Corps students and staff. Lastly, Job Corps has a series of Center Safety and Security Vulnerabilities Assessments underway. These assessments include access control of buildings, campus lighting, and security operations.

WHAT REMAINS TO BE DONE

Job Corps needs to continue its efforts to provide a safe and healthy center environment for students and staff. To accomplish this, Job Corps needs to expeditiously complete the various safety initiatives it has recently begun. After these initiatives have been implemented, Job Corps must be more vigilant in its monitoring to ensure center operators and regional office personnel fully enforce Job Corps' zero tolerance policy. Job Corps also needs to establish appropriate law enforcement jurisdiction and agreements for each center, assess campus physical security system-wide, and develop and implement policy for criminal background checks of center employees.

CHALLENGE: Protecting the Safety and Health of Workers

BACKGROUND

The Department administers the Occupational Safety and Health Act of 1970 (OSH Act) and the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act). DOL's effective enforcement of these laws is critical to protecting workers from death, injury, and illness.

The two DOL agencies primarily responsible for enforcing these laws are the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA). OSHA and its state partners are responsible for the safety and health of 121 million workers employed at more than 9 million establishments. MSHA is responsible for the safety and health of almost 350,000 miners who work at more than 13,000 mines.

CHALLENGE FOR THE DEPARTMENT

The Department faces challenges in determining how to best use its limited resources to help ensure the safety and health of workers, particularly in high risk industries such as construction, forestry, fishing, agriculture, and mining. Past OIG audits have found OSHA lacks outcome-based data needed to determine the effectiveness of its programs. The Department's recently completed multi-year study of OSHA's Site Specific Targeting found the impact of the program interventions on future employer compliance was not statistically significant. OSHA also encounters challenges in its efforts to protect workers from retaliation and discrimination when they "blow the whistle" on unsafe or unhealthy workplace practices.

Given the significant decline in coal production and closings of coal mines in the last year, MSHA is challenged to appropriately redeploy resources where needed. In addition, MSHA reports 64 percent of its top leadership will be eligible to retire in 2018. As a result, the agency is challenged to maintain an experienced and diverse cadre of top management. MSHA is also challenged by the underreporting of occupational injuries and illnesses by mine operators. This underreporting hinders MSHA's ability to focus its resources on the most dangerous mines.

DEPARTMENT'S PROGRESS

OSHA has introduced 10 new performance measures (in addition to the 8 existing measures) for monitoring State Plans, one of which is intended to help OSHA determine the effectiveness of inspection targeting in states that operate their own worker safety and health programs. For its whistleblower protection program, OSHA has created and updated its dedicated website – www.whistleblowers.gov. The site provides workers, employers, and the public with information about the 22 federal whistleblower protection statutes OSHA currently administers. OSHA has also established whistleblower dedicated Assistant Regional Administrator positions in its regions.

MSHA has taken steps to reallocate resources based on need; for example, the agency has closed or consolidated some field offices, transferred personnel among offices, and offered relocation incentives. MSHA stated it stepped up its targeted enforcement at metal/nonmetal mines and continued to engage in compliance initiatives. These initiatives include implementing the third phase of the *Respirable Dust Rule* to end black lung disease among coal miners and promoting the *Rules to Live By* campaign to prevent common types of mining deaths. The agency also issued a final rule on proximity detection systems for continuous mining machines in underground coal mines and extended its mine rescue reach by establishing regional mine emergency stations. MSHA stated it has taken actions to enhance its knowledge of underreporting of injuries and illnesses through a number of evaluations and is currently working on a proposal to evaluate predictors of injury and illness reporting patterns within the mining industry. MSHA further stated it has been following its succession plan for fiscal years (FYs) 2013-2017. The plan includes leadership development activities such as training, mentoring and detailing employees to developmental assignments.

WHAT REMAINS TO BE DONE

OSHA's performance measures for federal and state enforcement have focused on output activities rather than outcomes. The agency needs to continue its efforts to develop performance measures that reflect the impact of its enforcement efforts on improving workplace safety and health. While OSHA has implemented timeliness measures for whistleblower investigations, it needs to develop outcome measures that will indicate if the Whistleblower Program is working as intended and complaints are being thoroughly investigated.

MSHA needs to critically examine its resource allocations to ensure its enforcement staff is deployed where most needed and continue taking actions responsive to declining coal production. MSHA needs to continue taking action to further enhance its knowledge of the underreporting of accidents, injuries and illnesses by mine operators and use this knowledge to finalize its strategy to address mine operator programs and practices that discourage reporting. MSHA also needs to continue working on the next steps in mine safety, including training the mine rescue community on state-of-the-art communications, monitoring and tracking systems; developing new mine rescue and command and control guidance; investing in video tools for advancing rescue teams; and upgrading seismic and robotics technology. MSHA needs to update its succession plan as part of its continuing efforts to recruit and hire senior leadership.

CHALLENGE: Helping Adults and Youth Obtain the Education, Training, and Support Services Needed to Succeed in the Labor Market

BACKGROUND

In FY 2016, the Department's Employment and Training Administration (ETA) was appropriated $3.3 billion to operate a system of education, skills training, and employment services directed toward increasing the post-program employment and earnings of current and future workers, particularly low-income persons, dislocated workers, and at-risk and out-of-school youth. The majority of the activities are authorized by the Workforce Innovation and Opportunity Act (WIOA). WIOA contains provisions to strategically align workforce development programs to develop participants' skills to meet the needs of employers and to improve accountability and transparency in reporting. ETA also operates the Job Corps program, spending $1.7 billion dollars annually to provide residential and nonresidential education, training, and support services to approximately 50,000 disadvantaged, at-risk youths (ages 16-24), at 126 Job Corps centers nationwide.

CHALLENGE FOR THE DEPARTMENT

The Department remains challenged to ensure its job training programs and related services are helping those with barriers to employment secure the skills and credentials they need to obtain jobs paying a living wage. This challenge is made even more difficult by a lack of reliable performance data. As the Government Accountability Office (GAO) reported in March 2016, state program officials have identified several challenges to WIOA performance reporting, including the cost and complexity of integrating data systems, limited staff expertise, and antiquated information technology systems. The Department also faces challenges in assuring credentials that participants obtain from DOL-funded training programs are industry-recognized and actually help participants obtain jobs in those industries. Our work in Job Corps has found its graduates have been often placed in jobs unrelated to the occupational certifications and skills training they received or in jobs that required little or no training.

DEPARTMENT’S PROGRESS

On August 19, 2016, the Department published final rules to implement WIOA. Before issuing the final rules, the Department provided ongoing guidance and technical assistance to the public workforce system on how to prepare for full implementation. Through the Innovation and Opportunity Network (ION), stakeholders may access a range of information and technical assistance, such as ETA guidance letters, fact sheets, and webinars. Additionally, the Department provided for the use of Workforce Investment Act funds to plan and implement WIOA programs and related transition activities.

Beyond the final rules, the Departments of Education and Labor developed several Information Collection Requests on performance accountability, state planning, and others, which have been approved by the Office of Management and Budget (OMB). States will use this information to create or revise management information systems used to collect the necessary data to satisfy WIOA reporting requirements. The Department also reported it completed the WIOA Integrated Performance System (WIPS) by its October 1, 2106 target, and is working with the Department of Education on several additional performance-related guidance documents for the workforce system.

Job Corps indicated it is continuing its efforts to ensure access to a standards-based teaching and learning system. In response to requirements outlined within WIOA, Job Corps is assessing all credential attainments relative to in-demand occupations and wages. The effort is intended to align credential offerings with those most valued by potential employers. Job Corps also stated a technology-based platform called MyPACE (Pathway to Achieving Career Excellence) will be used to help students identify education and training goals and allow Career Management Teams made up of teachers and counselors to track and support student progress from entry through transition to college or career.

WHAT REMAINS TO BE DONE

Now that WIOA final rules are in effect, and states can prepare reports under new performance requirements using WIPS, the Department will need to address data reliability and validity challenges as states begin to report. The Department should also continue pursuing statutory access to the National Directory of New Hires. Such access would streamline the process of obtaining earnings data needed to assess program impact. Additionally, the Department should use results from GAO’s review of WIOA implementation to identify promising practices states can use to promote regional collaboration and resource sharing — one of WIOA’s strategies for building job-driven labor markets. In Job Corps, the Department needs to refine its performance management system to focus on being proactive in identifying and addressing low performing centers and training programs to ensure its students are comprehensively prepared to enter and complete in the workforce.

CHALLENGE: Protecting Retirement, Health, and Other Benefit Plans for Workers, Retirees, and Their Families

BACKGROUND

The Employee Benefits Security Administration (EBSA) protects the integrity of pensions, health, and other employee benefits for about 149 million people. EBSA’s enforcement authority extends to an estimated 685,000 private retirement plans, 2.2 million health plans, and a similar number of other employee welfare plans that together hold $9.1 trillion in assets. EBSA’s responsibilities include providing oversight of the federal Thrift Savings Plan, the largest defined-contribution plan in the United States, with nearly $450 billion in assets and 5 million participants.

CHALLENGE FOR THE DEPARTMENT

EBSA’s limited authority and resources present challenges in achieving its mission of administering and enforcing Employee Retirement Income Security Act (ERISA) requirements protecting the pensions, health, and other employee benefits for approximately 143 million participants and beneficiaries. An important part of EBSA's mission is to deter and correct violations of ERISA through a strong enforcement program to ensure workers receive promised benefits. Given the number of plans the agency oversees relative to the number of investigators, EBSA has to devise ways to focus its available resources on investigations, audits and other reviews that it believes will most likely result in the deterrence, detection, and correction of ERISA violations. In order to do so, EBSA must determine which of its enforcement initiatives are the most effective. For many years, EBSA’s oversight efforts have been challenged by the fact that billions of dollars in pension assets held in otherwise regulated entities, such as banks, escaped audit scrutiny. ERISA provides an option for a limited-scope audit under which plan auditors generally do not need to audit investment information certified by certain banks or insurance carriers, presumably because they are being audited by other entities for other purposes. As a result, the independent public accountants that conduct limited-scope audits express “no opinion” on the financial statements of plans that receive certifications from the banks or insurance carriers holding assets on behalf of the plans. These limited-scope audits weaken assurances to stakeholders and may put retirement plan assets at risk because such audits provide little or no confirmation regarding the existence or value of plan assets. These concerns were renewed by recent audit findings that as much as $3.3 trillion in pension assets, including an estimated $800 billion in hard-to-value alternative investments, received limited-scope audits that provided few assurances to participants as to the financial health of their plans.

EBSA is further challenged by the large increase in the types and complexity of investment products available to pension plans. EBSA’s final conflict of interest rule is intended to ensure workers enrolled in retirement plans can be assured the investment advice they receive is delivered with their best interest in mind, but the rule faces significant opposition from Congress and the financial industry.

EBSA also faces challenges in protecting participants in ERISA-covered, self-funded health plans from improper claim denials. EBSA has little or no information about the plans it oversees because it has exempted 98% of health plans from the requirement to file Form 5500 informational reports. EBSA should reexamine the filing exemption for small plans and begin capturing health plan claims data on Form 5500.

DEPARTMENT’S PROGRESS

EBSA created the Sample Investigation Program (SIP) to measure overall compliance with the civil provisions of ERISA and the impact of EBSA investigations on compliance rates of investigated employee benefit plans. EBSA has continued to analyze the compliance data available to the agency and use lessons learned to improve the SIP as well as its overall enforcement program. EBSA has begun to focus on specific compliance issues of special importance to the integrity of plans and plan benefits. For instance, EBSA initiated a bonding compliance project in FY 2015 that will continue into FY 2016

As part of the Form 5500 "21st Century" project, EBSA is developing proposed changes to strengthen the requirements for limited scope audit certifications from banks and insurance companies. As part of the same project, EBSA is developing certain changes to the Form 5500 financial statements and schedules to improve reporting of alternative and hard-to-value assets and to improve group health plan reporting. The agency issued a proposed regulation in July 2016.

EBSA also published a proposed rule in July 2016 that would require all ERISA covered group health plans to file Form 5500 information and related health claims data.

WHAT REMAINS TO BE DONE

EBSA should continue to analyze violation trends as an additional methodology to help guide its resource allocation strategies. The agency should concentrate on obtaining legislative changes to repeal the limited-scope audit exemption. In the interim, EBSA should further expand its existing authority to clarify and strengthen limited scope audit regulations and evaluate the ERISA Council's recommendations on the issue.

Regarding health plans, EBSA needs to finalize its proposed rule, increase its enforcement activities, and improve its analysis of the denial of claims data at the plan and insurer levels. EBSA should also collaborate with states on data and enforcement activities, and work with health plans to identify other ways it could improve the external review process for participants and beneficiaries.

CHALLENGE: Securing and Managing Information Systems

BACKGROUND

The Department's major information systems contain sensitive information that is central to its mission and to the effective administration of its programs. Departmental systems are used to analyze and house the nation's leading economic indicators, such as the unemployment rate and the Consumer Price Index. These systems also maintain critical and sensitive data related to the Department's financial activities, enforcement actions, worker safety, health, pension, and welfare benefits, job training services, and other worker benefits. In FY 2015, the Department spent a total of $667 million on information technology investments, including $15 million for specific cyber security efforts.

CHALLENGE FOR THE DEPARTMENT

Safeguarding data and information systems is a continuing challenge for all federal agencies, including DOL. Consistent with findings reported over the past ten years, in FY 2015 we identified continuing deficiencies in the areas of access controls, configuration management, and contingency planning. For the past five years, we reported deficiencies in third-party oversight, incident response and reporting, risk management, and continuous monitoring. Despite many previous reports that identified similar control weaknesses, these deficiencies continue to exist or reoccur, and represent ongoing, unnecessary risks to the confidentiality, integrity, and availability of DOL's information. The Department has not placed sufficient emphasis or prioritized available resources necessary to address these deficiencies. We have recommended that realigning the position of the Chief Information Officer (CIO) to report directly to the Deputy Secretary would give the CIO greater independence and authority for implementing and maintaining an effective information security program, compared to the existing structure of reporting to the Assistant Secretary for Administration and Management, the Office of the Chief Information Officer's (OCIO) largest customer. Such a realignment would bring the CIO's placement in line with other cabinet level agencies such as Commerce, Interior, Justice, Agriculture, and Energy.

Ensuring proper management of multimillion-dollar information technology systems is also a challenge for the Department. Under the Federal Information Technology Acquisition Reform Act, in FY 2017 the Department's CIO will have oversight responsibility for information technology investments totaling an estimated $759 million. The Department has encountered difficulties in managing its financial system due to the 2014 bankruptcy of the private-sector firm that was providing these services. The Department procured the financial system assets and entered into another interagency agreement for a federal shared services provider to assume operations and maintenance of the system at a cost of more than $2 million per month. From July 2014 to July 2016, the Department operated under time and materials contracts to run and maintain the financial system. In July 2016, the Department entered into a delivery order contract with some fixed price items.

DEPARTMENT'S PROGRESS

According to the OCIO, the Department finalized an Enterprise-wide corrective action plan in the Spring of 2016 that prioritizes actions to be taken to address the Department's information security control deficiencies. OCIO reported significant material progress had been achieved, but there are likely to be some remaining issues identified in future audits. Accomplishments cited by OCIO included implementation of Personal Identity Verification (PIV) access for end users, publication of the *DOL Third Party Monitoring Guide* to improve oversight of systems owned or operated by contractors, improvements in capabilities to drive the deployment of critical patches, and the standing up of a failover site for critical systems to meet recovery time objectives. OCIO also reported agencies within the Department have been informed and trained on Computer Security Handbook policy and provided Plan of Action and Milestone scorecards semiannually.

The Department stated it has taken steps to mitigate costs associated with its financial system, including entering into a new contract in July 2016, but contended financial system operations continue to lack the certainty needed to make a firm-fixed priced agreement a reasonable and prudent choice as we recommended. The Department stated it will closely monitor costs under its current agreement and will consider a firm-fixed priced agreement if and when it becomes the more cost efficient model.

WHAT REMAINS TO BE DONE

Departmental agencies need to prioritize available resources to implement planned actions to correct remaining deficiencies in identity and access management, configuration management, contingency planning, incident response, reporting, and monitoring of contractor systems. OCIO needs to update the *DOL Third Party Monitoring Guide* to make it clear the Department's responsibility for oversight of third-party systems applies to all systems that are owned and operated on behalf of Labor, including Cloud-based systems.

To improve the ability of the CIO to implement and maintain a more effective information security program, the Department needs to realign the position of the CIO to provide the proper independence and authority.

The Department must closely monitor the operation and maintenance services of its financial system to mitigate financial and operational risks. The Department should establish a firm-fixed priced agreement with the service provider for routine operation and maintenance to assist the Department in managing its costs within budgeted amounts and reduce the need for agencies to shift funds from program-related requirements.

CHALLENGE: Reducing Improper Payments

BACKGROUND

The Department's most recent risk assessment cycle in FY 2014 identified the Unemployment Insurance (UI) and Federal Employees' Compensation Act (FECA) benefit programs as susceptible to improper payments. According to OMB, in 2015 the UI program had the seventh highest amount of reported improper payments ($3.5 billion) among all federal programs. OIG investigations continue to uncover fraud committed by individual UI recipients who do not report or underreport earnings, as well as fraud related to fictitious employer schemes. In FY 2015, the Department estimated improper payments in the FECA benefit program totaled roughly $86 million. The Department conducted risk assessments of programs newly authorized by the WIOA and determined all WIOA authorized programs were low risk and did not require improper payment reporting.

CHALLENGE FOR THE DEPARTMENT

The Department remains challenged in its efforts to measure, report, and reduce improper payments in its UI and FECA benefit programs.

OMB has recognized the UI program as being at high risk for improper payments. UI improper payments declined from $5.6 billion in 2014 to $3.4 billion in 2015. While this reduction was primarily due to the $16 billion decrease in total UI payments, the reduction of the improper payment rate from an estimated 11.6 percent in 2014 to an estimated 10.7 percent in 2015 also contributed to the decline. However, the UI improper payment rate of 10.7 percent remained above OMB's threshold of 10 percent. Fraud continues to be a significant threat to the integrity of the UI program, as identity thieves and organized criminal groups have found ways to exploit program weaknesses.

The Department also remains challenged in identifying the full extent of improper payments in the FECA program, and OIG continues to have concerns regarding the completeness of the claims universe used to determine DOL's published FECA improper payment estimates. DOL again excluded two categories of compensation payments in its improper payment estimates for FECA, but did not determine and report the full effect of those exclusions on its estimates. Also, DOL could improve its improper payment estimate by identifying the FECA improper payment issues discovered by fraud investigations and estimating the extent to which these issues exist in the payment population.

DEPARTMENT'S PROGRESS

The Department has worked with states to reduce UI improper payment rates, which decreased from an estimated 11.6 percent in 2014 to 10.7 percent in 2015. For FY 2016, DOL is tracking state implementation of seven core strategies for lowering the rate of UI improper payments. Among these strategies is implementation of the State Information Data Exchange System (SIDES), a web-based system that allows electronic transmission of UI information requests from UI agencies to multi-state employers and/or Third Party Administrators, as well as transmission of replies containing the requested information back to the UI agencies. The core strategies also include the Treasury Offset Program to recover certain unemployment debts from federal income tax refunds, use of technology or other solutions designed to address improper payments due to a claimant's failure to register with the state's Employment Service, implementation of statewide claimant-employer messaging designed to improve claimants' awareness of their responsibilities to report any work and earnings and improving their understanding of state work search requirements, and state use of published recommended operating procedures for using the National Directory of New Hires to identify claimants who have returned to work. The Department stated it has supported and promoted state implementation of strategies to lower the improper payment rate, such as software for states to identify multiple claims from the same Internet Protocol address. In addition, the Department cited the development of the state-driven UI Integrity Center for Excellence with the goal of promoting the development and implementation of innovative integrity strategies. According to the Department, the Center is also working to develop a secure data repository for state UI agencies to access information on known "suspicious actors" determined to be fraudulent as well as other data for cross-matching purposes.

With respect to improper payments in the FECA program, the Department stated that many improper payments in the FECA program were "technically proper" when they were initiated, but due to current payment cycles, the payments could not be adjusted when additional information was received. The Department believes the changes to an enhanced Treasury payment cycle that were initiated toward the end FY 2015 period will result in even larger improper payment reductions in FY 2016. The Department stated it has hired additional staff dedicated to process improvement and improper payment reduction, and contracted with a data analytics firm to assist in developing technology and tools to detect and monitor inherent risk in claims, payments, and providers. In particular, the Department stated it has developed new controls to address issues associated with pharmaceutical payments. Additionally, the Department continues to work with other federal partners, such as the Social Security

Administration, Internal Revenue Service, and Office of Personnel Management, to facilitate data matches aimed at reducing improper payments.

WHAT REMAINS TO BE DONE

The Department needs to employ cost benefit and return on investment analyses to evaluate the impact of its improper payment reduction strategies for UI. The Department can further improve oversight of the states' detection and prevention of UI overpayments by increasing the frequency of on-site reviews at State Workforce Agencies. In addition, the Department needs to continue pursuing legislation to allow states to use a percentage of recovered UI overpayments to detect and deter benefit overpayments.

OIG's July 2015 investigative advisory report included several recommendations on actions the Department should take to address systemic weaknesses that make the UI program more susceptible to fraudulent activity. For example, State Workforce Agencies should pay all UI claims by physical check, direct deposit, or a debit card issued by state-approved vendors. Such cards provide for account holder verification and make it easier to identify individuals who are submitting fraudulent claims. The Department also needs to work with SWAs to implement strategies to identify multiple claims that originate from the same IP addresses, provide all identified fraudulent claimant information to a shared database that can be queried to identify the filing of fraudulent claims against multiple states, discontinue auto-populating any data in their systems, and require UI claimants to fill out all employer contact information correctly and completely. Additionally, the Department needs to work with states to strengthen existing systematic audit controls to track access to personally identifiable information, and to identify and implement best practices and strategies for communication between tax operations and benefit operations.

The Department also needs to continue developing the technology and analytic tools to enhance its FECA improper payment estimation methodology.

CHALLENGE: Monitoring and Managing Compounded Drug Medications in the FECA Program

BACKGROUND

FECA provides workers' compensation coverage to approximately three million federal and postal workers around the world for employment-related injuries and occupational diseases. FECA is administered by the Office of Workers' Compensation Programs (OWCP), Division of Federal Employees' Compensation (DFEC). DFEC made payments totaling about $3 billion in Chargeback Year 2015 (July 1, 2014 to June 30, 2015) for compensation and medical benefits. Compensation payments are those made to replace lost wages for a work related injury, benefits for a permanent physical impairment due to those injuries, as well as benefits to beneficiaries of federal employees that die as a result of a work-related injury. Medical payments are made to cover the expenses of medical services, prescription drugs, equipment and supplies incurred from treatment for illness and/or injury sustained while an employee was engaged in job-related activities. In Chargeback Year 2015, compensation payments totaled about $1.92 billion (64%); medical payments totaled about $1.07 billion (36%).

CHALLENGE FOR THE DEPARTMENT

The Department's FECA program is challenged to monitor and manage compounded drug medications (drugs created by combining, mixing, or altering the ingredients of drugs to tailor them to individual patients). The FECA program, along with the other Federal and state government health programs and private sector benefit managers, has experienced a large increase in the use and cost of compounded drugs – medications about which there are safety and fraud concerns. Compounded drugs may be appropriate for a small number of patients who have distinct circumstances, but they are not subject to approval by the Food and Drug Administration (FDA). The FDA has repeatedly reported and testified on the unsafe practices associated with the manufacturing of compounded drugs in both sterile and non-sterile pharmacies. State boards of pharmacy, which generally oversee the compounding pharmacies, have started to strengthen their oversight after multiple safety violations, such as a 2012 meningitis outbreak caused by contaminated compounded injections, which resulted in over 60 deaths and over 750 cases of severe fungal infection.

The compounded drug industry has also come under much scrutiny due to the sharp rise in the cost and number of compounded drug prescriptions, and the recent detection of several fraud schemes. Pharmaceutical costs in the FECA program jumped from $184 million in FY 2011 to $413 million in FY 2015, or 124 percent. Costs for compounded drugs accounted for much of this increase, rising from just $2 million in FY 2011 to $214 million in FY 2015. Compounded drug costs jumped from $80 million in FY 2014 to $214 million in FY 2015, surpassing the costs of all other drugs billed to FECA ($199 million).

DEPARTMENT'S PROGRESS

Effective July 1, 2016, the Department reduced FECA reimbursements for generic drugs from 70% of average wholesale price to 60%, and created a tiered reimbursement structure that pays 50% of average wholesale price for compounded drugs with three or fewer ingredients and 30% of average wholesale price for compounded drugs with four or more ingredients. DFEC estimates this change should result in a reduction in reimbursements of nearly $118 million below 2015 levels.

In October 2016, DFEC implemented a new policy requiring an injured worker's treating physician to complete a certification/letter of medical necessity prior to authorization of any compounded medication, as well as a policy restricting authorizations for compounded drug prescriptions to a maximum of 90 days, with initial fills and refills to be issued in 30-day supplies. DFEC has been working with the Department of Veterans' Affairs, TRICARE, and other insurance providers to identify the most effective practices for managing compounded drug medications. According to OWCP officials, the DFEC has formed a data integrity unit. OWCP officials stated it plans for this unit to analyze pharmaceutical and medical cost data for the purpose of identifying, evaluating, and proposing steps to remediate (if necessary) and monitor unusual or trending cost developments.

WHAT REMAINS TO BE DONE

The Department needs to take a proactive approach in working with the FDA and other federal benefit programs to decide if the reasons for providing compounded drugs are worth the associated safety risks and costs.

The Department stated that it plans to take additional actions related to the payment and authorization of compounded drugs. These actions include implementing a Pharmacy Benefits Manager, establishing an exception-based policy for payment of ingredients that have the same of similar mechanism of action in compounded drugs, requiring the use of the universal claim form for physician-dispensed compounded drugs to improve tracking, and establishing an exception-based policy for prescriptions containing herbal supplements. Other longer-term actions the Department is considering include limiting the cost or use of inactive ingredients, and implementing a pre-payment/post-payment fraud and abuse detection capability in its medical bill processing contract.

The Department needs to follow through on its planned actions and measure the impact of those actions on the use and cost of compounded drugs, as well as consider options for evaluating the safety, efficacy, and necessity of compounded drugs being dispensed to FECA recipients. It will need to modify its central bill processing contract to add the performance of medical necessity reviews. The Department also needs to ensure it has the most appropriate pricing structure for compounded drugs. The Department should continue its efforts to identify what insurance providers and other federal, state and local agencies are doing to manage pharmaceutical use and costs and determine what best or promising practices may be transferable.

Summary of Financial Statement Audit and Management Assurances

The following tables provide a summary of the Department's FY 2016 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
Deficiencies in Estimating Future Excise Tax Income		1			1
Total Material Weaknesses	1	1			2

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
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	Unqualified					
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.

Improper Payments Reporting Details

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),[1] requires federal agencies to identify and reduce improper payments and report annually on their efforts according to guidance promulgated by the Office of Management and Budget in OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*.

Details for each program are provided in the following sections based on the format prescribed by OMB Circular A-136 Section II.5.8.

I. Risk Assessments

All agencies must assess the IP risk level for each program that is not already reporting an IP estimate at least once every three years (See OMB Circular A-123, Appendix C for additional guidance related to risk assessments). All programs that are assessed for risk in a given year should be listed in this section. In addition, clearly identify the risk-susceptible programs (i.e., programs that are susceptible to significant IPs based on statutory thresholds listed in OMB Circular A-123, Appendix C, Part 1.A.9.Step 1) identified by the agency risk assessments performed in the fiscal year or required by OMB to be included (OMB may determine, on a case-by-case basis, that certain programs that do not meet the statutory threshold requirements may still be subject to the annual reporting requirements). For the newly identified risk-susceptible programs indicate the fiscal year in which a rate and amount will be reported (per OMB Circular A-123, Appendix C, Part I.A.9.Step 2 footnote 8 this should be the fiscal year following the year in which the risk assessment was conducted). Agencies should briefly describe all of the risk assessment(s) performed in the fiscal year (the risk factors examined should be included in the description).Highlight any changes to the risk assessment methodology or results that occurred since the last AFR or PAR.

IPIA Section 2(a) requires agency heads to review all programs to identify risk susceptibility for improper payments (IP) every three years. The last Department-wide risk assessment was performed in FY 2014. DOL will conduct the next triennial Department-wide risk assessment in FY 2017.

Risk assessments of programs newly authorized by the Workforce Innovation and Opportunity Act (WIOA) were conducted in FY 2016. These risk assessments indicated that all WIOA authorized programs reviewed are not susceptible to significant improper payments and did not support IP reporting under A-123, Appendix C guidance. Only one newly authorized WIOA program was not reviewed because it did not record any outlays in Program Year (PY) 2016. This program will be reviewed when appropriate.

WIOA Authorized Program	Risk Assessment	Result
Adult Employment and Training Activities	09/2016	Not susceptible
Dislocated Worker Employment and Training Activities (National Reserve)	09/2016	Not susceptible
Youth Activities	09/2016	Not susceptible
Workforce Data Quality Initiative	09/2016	Not susceptible
Indian and Native American Programs	09/2016	Not susceptible
Migrant and Seasonal Farmworkers	09/2016	Not susceptible
YouthBuild	09/2016	Not susceptible
Reintegration of Ex-Offenders	09/2016	Not susceptible
Dislocated Worker Employment and Training Activities (Formula)	09/2016	Not susceptible

No other DOL programs were found to have experienced material changes requiring a review of previous risk assessments.

[1] IPIA, Public Law (P.L.) 107-300 (2002); IPERA, P.L. 111-204 (2010); and IPERIA, P.L. 112-248 (2013) are codified at 31 U.S.C. 3321 note.

Susceptible to Significant Improper Payments: Based on DOL's FY 2014 department-wide risk assessment, 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[1]:

- 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

Other Programs Required to Report Improper Payments: One DOL program area, the Workforce Investment Act (WIA) of 1998 Title I programs (WIA Programs), provided estimates based on inclusion in Exhibit 57B, Section 57, of OMB Circular A-11 (2002)[2]. Although Section 57 was rescinded in 2003, these programs continued to provide IP information beyond that which is required by IPIA.

On July 22, 2014, the President signed WIOA into law. WIOA rescinded the WIA of 1998. Funding for programs under WIA ended in FY15 on June 30, 2015. The new law strengthened internal controls and performance standards for all newly authorized programs. The Department remains strongly committed to finding new ways to combat IP for all of the new programs authorized under WIOA. As discussed above, risk assessments of programs newly authorized by WIOA were conducted in FY 2016. These risk assessments indicated that all WIOA authorized programs reviewed are not susceptible to significant improper payments and did not support IP reporting under A-123, Appendix C guidance.

Program Integrity Overviews: The following provides an overview of payment integrity environments for all programs reporting.

Unemployment Insurance Program:

The Federal-state unemployment insurance (UI) program, established by the Social Security Act of 1935 (SSA), is a unique Federal-state partnership, based on Federal law but administered by state employees under state law. The program is designed to provide benefits to most individuals who are out of work, generally through no fault of their own, for periods between jobs. In order to be eligible for benefits, jobless workers must demonstrate workforce attachment, usually measured by amount of wages and/or weeks of work, and must be able and available for work and actively searching for work.

States also administer two federal unemployment compensation programs – Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-service members (UCX). The states also administer an Extended Benefits (EB) program in times of significant unemployment when the unemployment rate triggers for EB are met. In addition, Congress periodically enacts temporary episodic programs in times of recession, such as the Emergency Unemployment Compensation (EUC) program during the most recent recession and its aftermath.

Section 303(a)(1), Social Security Act, requires, as a condition for a state to receive administrative grants for its UI program, that the law of the state provide for "such methods of administration … as are found by the Secretary of Labor to be reasonably calculated to insure full payment of unemployment compensation when due." Section 303(a)(1) has also been interpreted to mean that states must have "methods of administration" to ensure that eligible claimants are paid UI benefits promptly when determined eligible and to ensure claimants who are not eligible are not paid. The payment decision process and payment when due provision are further complicated in that benefit eligibility is determined on a week by week basis. States must have methods of administration to

[1] IPERA §2(a)(3)(A)(II)(ii)

[2] In July 2001, OMB issued Section 57, *Information on Erroneous Payments*, as part of the 2002 revision to Circular A-11, *Preparation, Submission, and Execution of the Budget*. Exhibit 57B of Section 57 listed programs required ". . . to provide improper payment data, assessments, and action plans with initial budget submission beginning in 2003." All "benefit programs" exceeding obligations of $2 billion were included on Exhibit 57B.

protect against improper payments and fraud. This federal-state partnership structure makes UI unique among the nation's social insurance programs, and program integrity depends almost entirely on actions by the states.

The combination of the requirement to pay "when due" as determined weekly and the complexity of managing a large program with eligibility rules and administrative resources that vary by state create a complex environment for states to ensure program integrity. As such, the Department uses targeted strategies to work with states across many fronts including integrity performance measures, monitoring and oversight, facilitating the development of information technology systems, employer and claimant communication tool-kits, legislation, a platform to share best practices, targeted technical assistance and supplemental funding opportunities for state program integrity related activities.

The UI program's integrity efforts pre-date the IPIA. The Department's comprehensive strategic plan focuses on state strategies that address specific root causes of improper payments. The plan is continuously evolving as new strategies are identified and the progress with each strategy in this plan is regularly monitored. These strategies target the three largest root causes of UI improper payments:

- Failure of claimants to comply with the state's work search requirements (Work Search);
- Payments to individuals who continue to claim benefits after they have returned to work (Benefit Year Earnings); and
- Failure of employers or their third party administrators to provide timely and adequate information on the reason for an individual's separation from employment (Separation).

Under the Department's guidance, each state's Benefit Payment Control (BPC) unit is responsible for ensuring UI program integrity through prevention, detection, investigation, establishment, and recovery of improper payments. Every state BPC unit conducts post-award reviews for the prevention and detection of UI improper payments to determine whether error or willful misrepresentation has occurred. An additional tool, the Benefit Accuracy Measurement (BAM), is a statistical survey created in the 1980s as a quality control and improper payment estimation tool. For details on the BAM program, please see the **section II. Statistical Sampling: UI**.

The UI program uses both the BPC and BAM program results to support the state's efforts by setting goals and performance targets, to continuously monitor and improve prevention, detection and recovery of improper payments. The results from both BPC and BAM help the Department to assess the progress made by the states and provide targeted technical assistance and support.

Benefit outlays for all UI programs increased slightly in FY 2016 to $33.09 billion from the $32.49 billion paid in FY 2015. This increase reflects an increase in the average weekly payment, from $316 in FY 2015 to $332 in FY 2016. The number of first payments in the State UI, UCFE, and UCX programs decreased from 6.67 million in FY 2015 to an estimated 6.28 million in FY 2016. Outlays include $6.8 million for Emergency Unemployment Compensation (EUC) program claims filed prior to the January 1, 2014, expiration of the program. A small amount of benefits ($117 thousand) were paid by states meeting the trigger thresholds for the Extended Benefits (EB) program.

Federal Employees' Compensation Act Program:

The Federal Employees' Compensation Act provides workers' compensation coverage to approximately three million federal and postal workers around the world for employment-related injuries and occupational diseases. The Office of Workers' Compensation Programs and its Division of Federal Employees' Compensation (DFEC or FECA) have responsibility for administering the Act through twelve district offices and national office staff. DFEC adjudicates new claims for benefits and manages ongoing cases; pays medical expenses and compensation benefits to injured workers and survivors; and helps injured employees return to work when they are medically able to do so.

The FECA program operates on a Chargeback year that runs from July 1st through June 30th. Approximately 8.50 million FECA payments totaling $3 billion were attributable to Chargeback Year (CBY) 2016. These totals reflect two basic types of FECA benefit payments: "compensation" and "medical" payments.

- 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, equipment and supplies incurred from treatment for illness and/or injury sustained while an employee was engaged in job-related activities.

In CBY 2016, medical payments accounted for 90.6% of all FECA payments; the remaining 9.4% were compensation payments. By contrast, the total amount of compensation payments was about $1.88 billion (about 62%), whereas the total amount of medical payments was $1.13 billion (about 38%).

Workforce Investment Act Programs:

The stated intent of the WIA of 1998 and the objective of its multiple programs was “to consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs in the United States” through grants to state agencies.

On July 22, 2014 President Obama signed WIOA into law. WIOA superseded the WIA of 1998 and amended the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act of 1973. Funding under WIA ended in FY15 on June 30, 2015. FY 15 was the last year for improper payments reporting for rescinded WIA-authorized programs. In FY17, DOL will discontinue reporting of WIA programs historical IP rate.

The Department’s FY 2015 AFR provides a detailed description of all WIA-related programs and risk assessment methodology.

II. Statistical Sampling

Any agency that has programs or activities that are susceptible to significant IPs based on statutory thresholds listed in OMB Circular A-123, Appendix C, Part 1.A.9.Step 1 and are reporting an IP rate under section III below, shall briefly describe the statistical sampling process conducted to estimate the IP rate for each program identified as being susceptible to significant IPs. Agencies that were granted OMB approval to use an alternative sampling and estimation methodology must also include the justification for using the alternative methodology (i.e. explain why the agency was not able to follow the requirements in OMB Circular A-123, Appendix C Part 1.A.9.Step 2). In addition, briefly highlight any changes to any sampling and estimation plans that have occurred since the last AFR or PAR.

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.

Unemployment Insurance 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 improper payment rates are assumed 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 2016 are shown in **Table 1** below, and are for the period July 1, 2015 to June 30, 2016. 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. For the period July 1, 2015 to June 30, 2016, state agencies completed audits for 24,192 paid claims cases, a completion rate of 100%. For the FY 2016 reporting, the estimated UI Improper Payment rate consisted of all overpayments and underpayments.

Federal Employees' Compensation Act Program:

DOL's Office of Workers' Compensation Programs (OWCP) consulted with Office of the Chief Financial Officer (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 FECA improper payments estimation methodology excluded initial payments made in the first 90 days of a compensation claim and payments made on claims initiated prior to November 2000 that had not been imaged and stored electronically in OWCP's Integrated Federal Employees Compensation System (iFECS) system. The Department is dedicated to ensuring beneficiaries receive the benefits they are entitled to in a timely manner, including these payments in a review would hinder timely payment to injured workers and would create a hardship if delayed. Additionally, OWCP has concluded that pursuing information on non-imaged (pre-November 2000) cases would not be cost effective, nor would it provide a significant benefit to sample this steadily diminishing 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. This will include data analytics of improper payment trends identified in fraud investigations. The purpose of this will be to look for correlations and anomalies in order to understand causes and potential remedies. Additionally, the Program continues to implement effective practices to identify and address compensation and provider fraud. These practices include: instituting periodic claims reviews; allowing agencies and injured workers access to its data systems which contain compensation and medical-billing payment information; dedicating staff towards investigating potential fraud cases and processing any resulting improper payment due to the government.

The Department's methodology for estimating IP in the FECA program may be found at:
http://www.dol.gov/ocfo/media/reports/20141104IPMETHODOLOGY.pdf.

III. Improper Payments Reporting

The table that follows (Table 1) is required for each agency that has programs and activities reporting under OMB Circular A-123 Appendix C Part I.A.9.Step 2 or Part I.A.14 or for programs that OMB has automatically deemed susceptible to significant IPs (please see footnote 8 under Part I.A.9.Step 2 for reporting timing expectations) regardless of whether the program or activity has IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1.v.

Table 1 below provides a breakdown of estimated IP and an outlook for IP reductions for each DOL program or activity reporting under OMB Circular A-123, Appendix C, Part I.A.9.Step 2 or Part I.A.14 or for programs that OMB automatically deemed susceptible to significant IPs.

Table 1: Improper Payments Reduction Outlook ($ in millions)

Program or Activity	FY15 Outlays	FY15 IP %	FY15 IP $	FY16 Outlays	FY16 IP %	FY16 IP $	FY16 Overpayments $	FY16 Underpayments $	FY17 Estimated Outlays	FY17 Estimated IP %	FY17 Estimated IP $	FY18 Estimated Outlays	FY18 Estimated IP %	FY18 Estimated IP $	FY19 Estimated Outlays	FY19 Estimated IP %	FY19 Estimated IP $
Unemployment Insurance (UI) [1]	$32,895.31	10.73%	$3,530.16	$33,090.00	11.65%	$3,853.99	$3,701.12	$152.87	$33,140.00	11.55%	$3,827.67	$33,870.00	11.45%	$3,878.12	$35,100.00	11.35%	$3,983.85
Federal Employees' Compensation Act (FECA) [1]	$2,987.19	2.87%	$85.73	$3,001.24	3.54%	$106.32	$41.97	$64.35	$3,076.27	3.50%	$107.67	$3,153.18	3.38%	$106.42	$3,232.01	3.25%	$105.04
Workforce Investment Act (WIA) Title I Programs [2]	$2,530.00	0.88%	$22.26	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL [3]	**$38,412.50**	**9.47%**	**$3,638.15**	**$36,091.24**	**10.97%**	**$3,960.31**	**$3,743.9**	**$217.22**	**$36,216.27**	**10.57%**	**$3,827.67**	**$37,023.18**	**10.76%**	**$3,984.54**	**$38,332.01**	**10.67%**	**$4,088.89**

Note: [1] Current data is for 12-month ending June 30, 2016. [2] WIA funding ended as of FY 2015. [3] Totals do not represent a true statistical estimate.

High Priority Program Supplemental Measure Info – Unemployment Insurance Program:

In addition to the Improper Payment rate required by IPERA, the Department has also implemented supplemental measures as required by Executive Order 13520. These supplemental measures, developed in consultation with OMB beginning with the FY 2014 reporting period, are important metrics that provide additional insight into root causes and possible corrective actions. The current supplemental measures are:

- The IP rate excluding recoveries (previously known as "net improper payment" rate), which subtracts recoveries from the IP rate; and

- The IP rate excluding work search, which subtracts IP due to work search errors.

These supplemental measures are tracked and reported on www.PaymentAccuracy.gov within 120 days after completion of a quarter. Both supplemental measures use the estimated overpayment and underpayment rate from BAM survey data.

Monitoring and reporting on the "net improper payment" rate is a positive incentive for states to improve IP recoveries. States making progress on both reducing overpayments and increasing recoveries will realize significant reductions in the "net improper payment" rate and will have achieved considerable improvement in efficient use of UI trust fund dollars.

- The IP rate excluding recoveries is defined as total overpayments plus total underpayments ($3,853.99 million - Table 1) minus the amount of overpayments recovered by state workforce agencies ($976.12 M - Table 4.0). This supplemental measure includes both the overpayment and underpayment rates for all causes, but excludes payments determined to be technically proper under state UI law. The net improper payment rate includes two components – "IP", which will continue to be estimated from BAM, and "overpayments recoveries", which are based on actual amounts reported by the state workforce agencies on the ETA 227 Overpayment Detection and Recovery report.

The improper payment rate excluding work search as a supplemental measure allows for the review of improper payment rates without the influence of work search errors. During the recent quarters, work search errors are driving much of the increase in the improper payment rate as states have implemented stricter work search requirements. A 2016 review of structural issues in the UI program that impact the estimated improper payment rate was conducted by independent UI subject matter experts, statisticians, and economists. The group found that it is not feasible for states to prevent work search improper payments; they can only detect and recover them. The due process requirements related to establishing an improper payment related to work search errors cannot be accomplished before the payment must be made to the claimant in accordance with Federal law. Because the rate can only be reduced if improper payments are prevented, it is not possible for states to proactively reduce the portion of the improper payment rate associated with work search errors. They may only impact it marginally through effective education and messaging to claimants. In addition, states have limited resources to conduct work search audits outside of BAM. Since there are a multitude of challenges identifying realistic strategies to bring down the work search component of the overall improper payment rate, tracking the improper payment rate excluding the work search rate recognizes the inability of states to actively prevent these improper payments and help assess progress made on the other root causes.

- The supplemental improper payment rate excluding work search consists of all overpayments minus work search overpayments plus total underpayments. This supplemental measure includes the overpayment and underpayment rates for all causes except work search related errors. Both the overpayment and underpayment rates exclude payments determined to be technically proper under state UI law.

Table 1.1 -UI: UI Improper Payment Reduction Outlook FY 2015 – FY 2019 ($ in millions)

	FY 2015		FY 2016		FY 2017 (Targets)		FY 2018 (Targets)		FY 2019 (Targets)	
	Est. IP%	Est. IP$	Est. IP%	Est. IP$	Est. IP%	Est. IP$	Est. IP%	Est. IP$	Est. IP%	Est. IP$
Improper Payment Rate minus Recoveries	7.28%	$2,393.00	8.70%	$2,877.87	8.60%	$2,850.04	8.50%	$2,878.95	8.40%	$2,948.40
Improper Payment Rate minus Work Search Errors	7.95%	$2,616.00	7.69%	$2,545.61	7.59%	$2,515.33	7.49%	$2,536.86	7.39%	$2,593.89

The Department reports these supplemental measures quarterly for publication on the Department of the Treasury Payment Accuracy Web site at: http://www.paymentaccuracy.gov/.

IV. Improper Payment Root Cause Categories

The table that follows (Table 2) is required for each agency that has programs and activities reporting under OMB Circular A 123 Appendix C Part I.A.9.Step 2 or Part I.A.14 regardless of whether the program or activity has IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1.

Table 2: Improper Payment Root Cause Category Matrix ($ in millions)

Reason for Improper Payment		UI		FECA	
		Overpayments	Underpayments	Overpayments	Underpayments
Program Design or Structural Issue		TBD [1]	TBD [1]		
Inability to Authenticate Eligibility		$3,089.77	$124.32	$8.84	$0.51
Failure to Verify	Excluded Party				
	Death Data				
	Financial Data				
	Prisoner Data				
	Other Eligibility Data	$185.14	$6.04	$5.89	$0.97
Administrative or Process Error Made by:	Federal Agency			$14.29	$8.02
	State or Local Agency	$271.83	$18.59		
	Other Party [2]			$0.40	$54.85
Medical Necessity				$1.75	
Insufficient Documentation to Determine					
Other: [3]		$154.38	$3.92		
Other: [4]				$10.8	
Total [5]		**$3,701.12**	**$152.87**	**$41.97**	**$64.35**

Notes: [1] ETA convened a Technical Working Group (TWG) in 2016 to study program and legal requirements which may create IP that states are unable to control. The TWG developed a methodological framework to quantify these structural IP. DOL will review the proposed methodology and take appropriate actions to measure and report these IP. [2] "Other Party" for DFEC refers to administrative error by other Federal employing agencies. [3] Improper payment had been identified and the state agency was in the process of taking corrective action at the time of the BAM sample selection. [4] Indicates OIG fraud restitution average as explained in section VII. Accountability below. [5] Rounding error may contribute to imprecise totals.

Unemployment Insurance Program:

The Improper Payment Root Cause Category Matrix identified in **Table 2** does not align precisely with the way the UI program classifies root causes. Additionally, the categories presented in **Table 2** overlap between the root causes and responsibilities for the payment errors which make it difficult to describe corrective actions for each improper payment category as presented in **Table 2**. The discussion below attempts to clarify for the reader the intricacies of the UI program.

Program Design or Structural Issue: As noted previously in Section III, UI believes that a significant portion of the program's IP may be categorized under this root cause. Among the errors included in this category are work search errors which cannot be prevented and can only be detected after the fact; payments made following an initial eligibility determination where all the information was unavailable; and payments that may go undetected due to a lag in data availability - such as the National Directory of New Hires (NDNH) data. A review of structural issues in the UI program that impact the estimated improper payment rate was conducted by independent Technical Working Group (TWG) of UI subject matter experts, statisticians, and economists. The TWG proposed several research methodology options for estimating the impact of these structural issues on the improper payment rate. Based on these recommendations, UI will be conducting a study to examine, quantify, and better understand program and legal requirements which may create IP that states are unable to control.

Inability to Authenticate Eligibility: In order to receive a weekly benefit payment, a claimant must retroactively certify that they have met a myriad of eligibility conditions for the benefit week for which they request payment. Much of this information can only be authenticated with an employer or other third parties who do not participate in the weekly certification process.

Similar to the structural issues discussed above, this section includes errors where the state agency followed official procedures and necessary forms were fully completed but a payment issue was not detectable by normal procedures at the time of payment. These errors may be due to the claimant providing inadequate or inaccurate information and/or no income verification sources to authenticate the claimant's eligibility to prevent the improper payment. Examples include: inadequate time to verify the work search activities provided by the claimant with the employer listed as a contact, income data such as the NDNH information to verify whether or not that the claimant has returned to employment, and/or the employer failing to respond to the agency's request for separation information.

Failure to Verify: This section includes errors where the state agency had sufficient documentation to identify that there was a payment issue but did not resolve the issue. Examples include: failure by the state agency to verify or follow-up to determine whether the claimant returned to work after receiving a NDNH cross-match hit, failure to follow-up adequately with the employer regarding an incomplete response to a separation request, and/or not verifying work search activities/contacts provided by the claimant.

Administrative or Process Errors: State procedures/forms had not been properly followed/completed thereby precluding ability to detect the payment issue; or state agency provided incorrect information or instructions. Examples include: failure by the state agency to verify whether the claimant returned to work using a NDNH cross-match or other income verification sources, not requesting separation information from an employer, and/or not requesting work search activities/contacts from a claimant or requesting work search verification from an employer.

Other Reason: Improper payment had been identified and the state agency was in the process of taking corrective action at the time of the BAM sample selection. This includes those improper payments detected by the state agency through matching claimant information with state and national new hire directories and with wage records to detect individuals who continue to claim while being employed.

V. Corrective Actions

For all programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1, agencies shall identify the reasons their programs and activities are susceptible to significant IPs and put in place a corrective action plan to reduce them.

DOL has identified the root causes for IPs in all programs and activities listed in **Table 2** above and has developed comprehensive corrective action plans (CAPs) to reduce them. These CAPs vary by program and a high-level review of these plans is described in the program-specific narratives below.

Unemployment Insurance Program:

In response to the level of IP in the UI program, the Department has developed a comprehensive and continuously evolving Strategic Plan to address several root causes of IP. A high level summary of the Strategic Plan is available at: http://www.dol.gov/dol/maps/Strategies.htm. The Strategic Plan was designed to specifically target UI program root causes prior to the generalized Federal root cause categories addressed in **Table 2** above. The UI program specific root cause corrective actions detailed below overlap multiple generalized Federal categories.

Table 2.2 - UI reflects supplemental information on how the Department classifies the root causes of UI overpayments.

Table 2.2 - UI: Root Causes of UI Overpayments (% of Overpayments Reported in Table 1)

	% of Overpayments (2016 IPIA Rate)	% of Overpayments (2015 IPIA Rate)	FY 15 to FY 16 % Point Change
Work Search (failure to actively seek employment)	37.54%	29.41%	+8.13
Benefit Year Earnings (continuing to claim benefits after returning to work)	29.95%	33.27%	-3.32
Separation (ineligible due to voluntarily quitting or discharge for cause)	12.46%	18.52%	-6.06
Able and Available (Ineligible due to not being able to work or available for work)	6.64%	5.95%	+0.69
Employer Service Registration (failing to register for referral to work or reemployment services)	3.27%	1.61%	+1.66
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)	2.95%	2.35%	+0.60
Base Period Wages (Error in calculating claimant's benefit based on wages earned prior to period of unemployment)	2.93%	4.42%	-1.49
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)	4.27%	4.47%	-0.20

The Department actively works with the states[1] to reduce IP. All states have been called to action to ensure that UI integrity is a top priority and to develop state-specific strategies to bring down the overpayment rate. Specific attention and assistance has been given to those states with a high IP rate.

Supplemental Funding Opportunities for Integrity-Related Projects: 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 grants demonstrate DOL's commitment to the development of integrity-related systems focused on the proper payment of UI benefits. These improvements can result in significant savings of staff costs for integrity-related activities, increased dollar amounts of overpayments recovered, and prevention of future overpayments.

Between FY 2005 and FY 2015, DOL provided approximately $330 million to states in supplemental funding for integrity-related projects. Additionally, between FY 2009 and FY 2015, approximately $361 million in supplemental funding was provided to state consortia to address outdated IT system infrastructure, which is necessary to improve UI integrity. Please see **section VIII. Agency Information Systems and Other Infrastructure: UI** for information on the state consortia.

In April 2016, DOL provided $112 million to 50 state workforce agencies to provide UI claimants with improved reemployment services and reemployment eligibility assessments. Additionally, in October 2016, DOL anticipates awarding approximately $30 million in supplemental funding to state workforce agencies for the prevention, detection, and recovery of improper UI benefit payments; to improve state performance; to address outdated IT system infrastructures necessary to improve UI program integrity.

Reducing Improper Payments in the UI Programs: Each state BPC unit conducts post-award audits of benefit payments for the prevention and detection of UI improper payments, and to determine whether error or willful misrepresentation has occurred.

These activities are conducted through the use of automated tools and procedures that confirm the identity and legal status of the claimants, search for unreported earnings, and detect other forms of fraud or errors contributing to IP in the UI program.

State agencies also maintain the integrity of UI and reduce IP by ensuring that employers contribute their fair share of taxes and facilitate the return to work of UI claimants.

UI Integrity Center of Excellence: DOL has developed the successful state-driven UI Integrity Center of Excellence with the goal of promoting the development and implementation of innovative integrity strategies to support all states, including the prevention and detection of fraud, in the UI program. The Center is focused on the following activities:

- The Center completed the development of a secure portal to enable rapid exchange of information among states about UI fraud schemes. This portal was launched in May 2014 with information on successful state integrity practices, information about the Center and its deliverables, and ways for states to share integrity practices with the UI community. Enhancements were made in April 2016 to enable state fraud investigators to exchange encrypted information about ongoing and active cases to assist prevention efforts.
- The Center is working with a vendor and three states to pilot a data analytics and predictive modeling tool to enable the prioritization of cross-match data for the prevention and detection of improper payments. Following the completion of the pilot in the 1st quarter of CY 2017, the Center will disseminate information and training on the tool, which will be available to all states across the UI system.
- The Center has developed and is offering program integrity training for states through the UI Community of Practice website. These modules include instructor-led and self-paced content addressing improper payments prevention, fraud detection, eligibility determinations, and fact finding. The Center is also

[1] For the purposes of UI program reporting, "states" refer to the 50 states and the territories of District of Columbia, Puerto Rico, and the Virgin Islands.

establishing a UI National Integrity Training Academy with self-paced and instructor-led training modules that can result in credentials. The Academy is planned to launch by the 4th quarter of FY 2017.

- DOL is working with the Center and eight states to design and build a secure data hub for state UI agencies to access characteristics of known UI fraud claims as well as incarceration data, death records, identity theft data, payroll deposit information, foreign travel records, employer quarterly Federal tax returns, fictitious employer schemes, and other data for cross-matching purposes. This data hub is planned to go live in the 3rd quarter of FY 2017.
- The Center will assist with states' internal control efforts by developing a model BPC blueprint. The Center has engaged states to conduct an assessment of current UI integrity efforts, to support implementation of an outreach strategy to solicit information on integrity issues, and create a model BPC blueprint. The information will also be used to highlight integrity practices that should be part of state UI IT 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. These activities are due for completion in the 1st quarter of FY 2017.
- In September 2015, the Center hosted an integrity symposium with states to showcase products and tools that individual states are using to improve UI program integrity. The Center is planning its next national symposium for December 2016. This event will provide an opportunity to highlight the Center's efforts directed at developing innovative tools and strategies, training, and a platform for sharing state best practices for reducing improper payments that will benefit the entire UI system.

As noted above, the Improper Payment Root Cause Category Matrix identified in **Table 2** does not align precisely with the way the UI program classifies root causes. Below are descriptions of national strategies underway to address the top root causes of UI IP:

Work Search Strategies: Work search issues were the leading cause of UI overpayments during the 2016 reporting period. Work search requirements vary significantly among states and are among the most difficult to control and costly for states to monitor. Specific strategies to address work search include:

- DOL continues to provide guidance and technical assistance to states for accurate and consistent coding of BAM cases related to work search errors. The guidance and technical assistance is intended to ensure that state BAM units access all agency information to determine facts of the case, and code the investigation outcomes following state law, policies, and procedures.
- DOL convened a federal/state workgroup of program experts in UI, and employment and training, to re-envision work search requirements for the 21st Century labor market. Working in partnership with the National Association of State Workforce Agencies (NASWA), DOL and state agency representatives focused on ensuring that work search activities help claimants get good jobs, are acceptable to meet state eligibility requirements for UI, are verifiable, connect claimants to services provided by the public workforce system, and reflect the way individuals search for work in the current labor market. The products developed by this workgroup will be available for states' use in the fourth quarter of calendar year 2016.

Benefit Year Earnings (BYE) Strategies: In order to address this root cause, the second most frequent cause of UI overpayments, it is critical to ensure that claimants understand their responsibility to report when they return to work and for states to identify as quickly as possible that the claimant has returned to work. The strategies to accomplish these purposes include:

- Improved cross-matching against the NDNH and the immediate notification of claimants that the state agency is aware they may have returned to work while still claiming benefits. As of September 2016, a total of 52 states are using NDNH for their BPC operations (California is working to implement NDNH).
- Promotion of messaging tools that are designed to improve claimant and employer understanding of, and compliance with, the established rules and procedures related to UI claims. In March 2012, DOL published a UI Program Letter announcing the availability of Claimant and Employer Messaging Toolkit containing products and tools designed to support these state messaging campaigns. As of March 2013, all states had implemented their own state-specific claimant and employer messaging campaigns using at least one tool

from the Toolkit. DOL continues to encourage states' efforts to implement these messaging tools. Additional information on the toolkit is available at: http://www.dol.gov/dol/maps/tools.htm

- Targeted technical assistance and monitoring for states with high BYE error rates. DOL's regional offices reviewed the selected states' implementation of NDNH cross-matching procedures, and ensured that these states identified and began the implementation of specific strategies to address this root cause as part of the Fiscal Year (FY) 2016 State Quality Service Plan (SQSP). As of September 2016, 7 of the 17 selected states have achieved a BYE rate below 4%. ETA will continue to support these states efforts to reduce BYE overpayments and provide additional technical assistance to these states as appropriate.
- Support for state implementation of the Treasury Offset Program (TOP) that permits states to recover certain unemployment compensation debts due to fraud and certain non-fraud overpayments through Federal income tax refund offsets. As of September 2016, DOL has provided supplemental funding for TOP implementation to 49 states, and a total of 43 states have implemented TOP. One state previously implemented TOP but suspended operations in order to meet IRS safeguard requirements. Seven additional states are in various stages of TOP implementation. DOL will continue outreach with the remaining 2 states to encourage their implementation of TOP.
- DOL is currently piloting the use of employer payroll information with three states using Equifax's The Work Number, a database compiled in real-time, directly from payroll feeds of many employers across the country. It includes current employment and income data on about one-third of the U.S. workforce and is the largest database of its kind. This effort is ongoing and is due for completion by the 4th quarter of FY 2017. Based on the outcome of this pilot, DOL will examine the feasibility of other states adopting this strategy.

Separation Strategies: The goal of these strategies is to improve timeliness and accuracy of information received from employers needed for eligibility determinations, specifically concerning the reason for a UI claimant's separation from employment.

- DOL is promoting the expansion of state and employer adoption and usage of the State Information Data Exchange System (SIDES), a system that enables the electronic communication of separation and other UI information between employers and State Workforce Agencies (SWAs). DOL provided funding for SIDES implementation to 51 state workforce agencies. As of September 2016, 49 states have implemented SIDES, and two additional states are in various stages of SIDES programming and testing. The funded states are working toward implementation by the 2nd quarter of FY 2017. DOL is now working with states to encourage employer use of SIDES.

Employment Service (ES) Registration Strategies: DOL has demonstrated success in addressing this root cause. By providing targeted and customized technical assistance, states with the highest error rates for this cause, achieved an ES Registration error rate of 0.44%, as of the 2016 reporting period. This is a 57.1% reduction in the ES Registration error rate compared to 2011.

State and Other Engagement Strategies: States administer the UI program and are responsible for its integrity and controlling improper payments. SWAs have been engaged in strategies to address bringing both the individual state and the national improper payment rates into compliance with the 10% threshold established by IPERA. These strategies include the following:

- DOL encourages states to convene cross-functional task forces to support the maintenance/enhancement of integrity action plans as part of each SWA's SQSP, which becomes the foundation of states' grant agreement with DOL. As of the 1st quarter of FY 2012, all states had established task forces and DOL continues to encourage states to convene them regularly.
- Continue technical assistance and monitoring to states with persistently high IP rates. Thirteen "High Priority" states were designated between FY 2012 and FY 2015. Nine of these states have achieved improved performance and were removed from this designation. DOL continues to work with the four High Priority states to achieve similar performance improvements.

DOL continues to collaborate with Federal benefit programs that have been targeted by fraud schemes involving the theft of personally identifying information and the use of that information for willful misrepresentation in claiming benefits. DOL will continue in FY 2017 to engage representatives from the Earned Income Tax Credit (EITC), Medicaid, Supplemental Nutrition Assistance Program (SNAP), Social Security Disability Insurance (SSDI), and the Temporary Assistance for Needy Families (TANF) programs with the goals of increasing information sharing and developing solutions to combat fraud schemes across multiple agencies and programs.

Federal Employees' Compensation Act Program:

"Failure to Verify" Error: The IP's in this area resulted from payments made after a return to work. Many of the IPs were "technically proper" when they were initiated, but the payments were not stopped promptly when the claimant returned to work. These payments are considered part of the "Failure to Verify" error in **Table 2** above. In FY2015, FECA worked with Treasury to shorten the payment cycles, and as a result there were no errors of this type found in the FY2016 IP audit. This confirms that the corrective action was successful and that one type of improper payment has been largely eliminated. The small category of remaining errors was mostly due to communication issues between FECA and employing agency. FECA will continue to monitor efforts in this area and work to improve communications with its stakeholders.

"Administrative or Process Errors" Error: The "Administrative or Process Errors" error category in **Table 2** above reflects various errors in calculating wage loss pay rates. Specifically, a number of IPs resulted from the improper deduction of life insurance premiums. FECA is working closely with the Office of Personal Management (OPM) to share and cross-walk life insurance data to resolve these issues. In addition, the FECA Program Integrity Unit is conducting a comprehensive study in order to analyze trends and abnormalities in various areas of improper payments. This will assist in developing technology and analytic tools to detect and monitor both post and pre improper payments.

"Medical Necessity" Error: Only a single payment error was found in this category in FECA's FY16 review, totaling less than $1,500. However, statistical sampling methodology extrapolates that in the universe of payments this could equal the $1.75 million reported in **Table 2** above. This error–occurred because the medical evidence was insufficient to support that the current level of disability related to the work related injury. FECA continues to implement effective periodic claims review practices to ensure that all compensation payments are supported by objective medical evidence.

"Inability to Authenticate Eligibility" and "Other" Error: This category of errors reflects issues in the prompt and accurate annual authentication of continued eligibility. FECA is working with OPM to improve communication that will address dual entitlement issues that lead to improper payments. Communication and data exchange between FECA and OPM will improve efficiencies in the FECA programs ability to accurately and timely address this problem. In addition, the program is also working on a Computer Matching Agreement with the Social Security Administration (SSA). The data exchange program will improve the Programs ability to reduce FECA benefits when an individual is concurrently receiving benefits from SSA, thereby minimizing improper payments of FECA disability benefits. The "Other" error category in **Table 2** above reflects OIG fraud restitution issues which are detailed in **section VII. Accountability,** `below.

VI. Internal Control over Payments

The table that follows (Table 3) is required for each agency that has programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1. Agencies shall briefly summarize the status of internal control over payments using: (1) a single narrative explaining efforts undertaken to provide reasonable assurance that internal controls over payments are in place and operating effectively; and (2) Table 3 illustrated below. The primary purpose of the summary is to provide a thoughtful analysis linking agency efforts in establishing internal controls and reducing IP rates. Agencies do not need to create a separate narrative for each program they are addressing in this section, rather, the agency may report using one narrative that encompasses the information for all of the programs reporting under the requirements of this section. Agencies should leverage existing internal control plans and at a minimum should address the internal control standards provided in OMB Circular A-123, Appendix C, Part II.C.2.

Effective internal controls are necessary for timely and reliable financial management information and fundamental to management accountability. DOL's internal controls review provides reasonable assurance to the President and Congress that the Department's internal controls are in place and operating effectively to prevent and detect improper payments. DOL applies the five standards included in ***Table 3:*** **Status of Internal Controls** below: *Control Environment, Risk Assessment, Control Activities, Information & Communication,* and *Monitoring*. DOL management is able to reasonably assess the design and operating effectiveness of control activities and to ultimately support an unqualified Assurance Statement published in the MD&A of this report. The UI program and the FECA program internal control activities over payments are discussed below.

Table 3: Status of Internal Controls

Internal Controls Standards	UI	FECA
Control Environment	4	4
Risk Assessment	4	4
Control Activities	4	4
Information & Communication	4	4
Monitoring	4	4
Legend:		
4 = Sufficient controls are in place to prevent IPs.		
3 = Controls are in place to prevent IPs but there is room for improvement.		
2 = Minimal controls are in place to prevent IPs.		
1 = Controls are not in place to prevent IPs.		

Unemployment Insurance Program:

As mentioned in **section I. Risk Assessments**, the UI program is a unique Federal-state partnership, based on Federal law but administered by state employees under state law. Section 303(a)(1) has been interpreted to mean that states must have "methods of administration" to ensure that eligible claimants are paid UI benefits promptly when determined eligible and to ensure claimants who are not eligible are not paid. In addition, states must have methods of administration to protect against improper payments and fraud. This federal-state partnership structure makes UI unique among the nation's social insurance programs and program integrity depends almost entirely on actions by the states. DOL provides oversight and monitoring for state workforce agencies to support their efforts to reduce UI improper payments.

Control Environment: DOL ensures that states are actively engaged in implementing strategies and activities to effectively reduce improper payments and promoting a culture of integrity throughout the entire UI system. All states are required to have an Integrity Strategic Plan embedded in their biennial State Quality Service Plan (SQSP), which is the UI administrative grant agreement between DOL and the states. State integrity performance measures are actively tracked and states failing to meet measures are required to include CAPs in the SQSP to support performance improvement. In addition, states may be identified as “high priority” for sustained poor performance related to program integrity and those so designated receive intensive technical assistance and increased monitoring and oversight. To accomplish that goal, an immediate call to action was issued to all state UI Administrators to ensure that all staff responsible for the operation of the program are engaged in a coordinated effort to address improper payments at all levels of the program. Everyone in UI owns program integrity and it is expected that all agency staff be aware of the causes of improper payments and what their role is regarding overpayment prevention. Integrity programs must be designed to discourage fraud and uncover potential issues of fraud at the earliest possible time.

Accountability mechanisms have been established for DOL’s OCFO to monitor the implementation of its integrity strategies and to share information on the improper payment rate in the Federal-state UI system with the Department’s leadership and the public.

Risk Assessment: States are responsible for day-to-day operations to ensure integrity for the UI program, across all program functions, and through all levels of staff. BAM units within the states conduct in-depth investigations of random samples of paid and denied claims made each week to measure the accuracy of UI benefit payments. Data from the BAM investigations provide the basis for the estimated improper payment rates at the state and national level. Refer to **section II. Statistical Sampling** for a more detailed discussion on BAM.

For claims that were improperly made, BAM determines the root cause of and the party responsible for the error, the point in the UI claims process at which the error was detected, and actions taken by the claimant, employer, and agency prior to sample selection. The root causes of improper payments derived from the BAM data are analyzed, prioritized, and used to develop strategies and corrective actions.

DOL validates and reports the BAM data on its public website. BAM data for the most recently completed period are available at:
http://www.oui.doleta.gov/unemploy/bam/2015/IPIA_2015_Benefit_Accuracy_Measurement_Annual_Report.pdf.

Control Activities: All states have implemented pre-payment review processes for verifying and validating benefit eligibility requirements required under state UI law, although they may vary from state to state. Additionally, each state’s BPC unit is responsible for promoting and maintaining program integrity through prevention, detection, investigation, establishment, and recovery of improper payments. In addition, DOL collaborates with the National Association of State Workforce Agencies (NASWA) and state representatives on the UI Integrity Center of Excellence, which will assist with states’ internal control efforts by developing a data analytics and predictive modeling tool available for replication, as well as a UI data hub for states to compare information from different sources.

Every state conducts post-award reviews for the prevention and detection of UI improper payments to determine whether error or willful misrepresentation has occurred. These post-award reviews include use of data sources and other analytical tools to help ensure that payments made to claimants were appropriate.

Cost-benefit analysis has been performed to the extent feasible on strategies and other corrective actions to address root causes of improper payments prior to implementation.

Information and Communication: DOL issues advisories and handbooks to provide guidance and technical assistance to states. Additionally, training sessions (in-person and remote), and conferences have been scheduled to provide technical assistance and share best practices between states.

DOL has established a robust set of performance measures used to evaluate the states’ overall operational performance including program integrity. States not meeting the criteria set for these measures are expected to submit CAPs as part of their annual SQSP submission. Additionally, the SQSP also includes a state-specific Integrity Action Plan that must discuss the state’s root causes of improper payments and present the state’s strategies to address these causes.

DOL established an integrity strategic plan to improve the prevention, detection, and recovery of UI improper payments by targeting the largest root causes of overpayments. The plan is continuously evolving as new strategies to address the root causes are identified. Additionally, program performance information and data is published in the Department's AFR. DOL also publishes UI improper payment targets and data on websites operated and maintained by OMB, the Department, and ETA. The Department's site clearly identifies each state's improper payment rate over a three-year sample period and the status of each state's progress in implementing the integrity strategies identified in the Department's strategic plan, noting if a plan is in place to implement the strategy and rating the strategy implementation as complete, on track, or not on track.

DOL's oversight process includes quarterly reviews on CAPs submitted as part of the SQSP, peer reviews and training for specific program areas such as BAM, Appeals and Benefit Timeliness and Quality, and enhanced monitoring and technical assistance provided to states with high improper payment rates or chronic poor performance. Currently, DOL is in final implementation phase of its new accountability and review processes for the UI program that will include addressing the operational aspects of the program through a state self-assessment process. The self-assessment tool is expected to be available for state use sometime in FY 2017.

Finally, the UI Integrity Center of Excellence will assist with states' internal control efforts by developing a model BPC blueprint. The Center will also highlight integrity practices that should be part of state UI IT Modernization efforts, including state successful practices, and "how-tos" in areas such as collections, fraud identification, cross matching, and identifying fictitious employers.

Monitoring: DOL has implemented the BAM survey methodology to estimate the level of improper payments at the state and national level. Additionally, targets have been developed and progress tracked against these targets. The survey methodology and targets adhere to existing laws and OMB guidance. Additionally, DOL understands statutory barriers for the UI program that limit the agency's corrective actions in reducing improper payments.

Federal Employees' Compensation Act Program:

OWCP's FECA program has several controls in place to ensure payment integrity. FECA conducts regular pre-payment matches using the Death Master File (DMF) and the Excluded Parties List System (EPLS). FECA screens post-payments through the Treasury Do Not Pay (DNP) process. In FY2016, the Program ensured greater oversight towards the prevention of IP's by implementing the Senior Claims Examiner Community of Practice Engagement (SCOPE) initiative which engages subject matter experts in payment training sessions at the district levels. In addition to the robust operational internal controls already in place, OWCP has initiated an annual audit process to estimate the improper payment rate and enhance internal controls to mitigate identified weaknesses. Longer term, OWCP has a FECA Program Integrity Unit with data and program analysts to provide greater oversight and analysis of payment accuracy. OWCP has also contracted with a data analytics firm to assist in developing technology and analytic tools to detect and monitor inherent risk in claims, payments, and providers. The resultant technology and analyses will enable OWCP to refine its policy, procedures and oversight interventions.

VII. Accountability

For all programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1, agencies shall describe the steps the agency has taken and plans to take (including timeline) to ensure that agency managers, accountable officers (including the agency head), programs, and States and localities (where appropriate) are held accountable for reducing and recapturing IPs. Specifically, they should be held accountable for meeting applicable IPs reduction targets and establishing and maintaining sufficient internal controls (including an appropriate control environment) that effectively prevents IPs from being made and promptly detects and recaptures any IPs that are made.

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.

Unemployment Insurance 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. State workforce agencies 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 ACPs as part of their annual State Quality Service Plan submission.

In response to the level of improper payments in the UI program, ETA developed a Strategic Plan to address several root causes of IP which were described in detail above in **section V. Corrective Actions: UI**. 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.
- 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 that 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 CAPs. 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:
    - Reduce by 25% from the three-year baseline period those overpayments attributable to individuals who continue to claim UI benefits after they return to work. For the calendar year (CY) 2015 performance period, the most recent three-year baseline period is CY 2012 through CY 2014;

  - Meet the less than 10% improper payment 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 in detail earlier in this document in **section V. Corrective Actions: UI**.

As discussed in **section VI. Internal Control over Payments: UI**, 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.

Federal Employees' Compensation Act 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 improper payment rate, less fraud, was 3.18%. CBY2016 fraud estimation was $10.8 million[1], which translates to a rate of 0.36%. This represents an increase from 0.01% from last year's IP audit. OWCP attributes this to a change in bill payment processing requirements and a greater number of successful prosecutions by the Department of Justice. In FY 2015, the FECA program placed special emphasis on the billing of compound medication. As a result, a more in-depth audit of the entire bill payment process was undertaken, with particular focus on properly capturing adjustment and reversals. While this rate is above the IPERA threshold for risk susceptibility, issues identified during OWCP's improper payments review should lead to substantial improvements in the FECA rate in the coming years.

As noted in **section II. Statistical Sampling: FECA**, the FECA estimate of fraudulent payments are based on actual restitution amounts and therefore did not reflect an estimate of undetected fraud. In the 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. This will also include data analytics of improper payment trends identified in fraud investigations. The purpose of this will be to look for correlations and anomalies in order to understand causes and potential remedies. Additionally, 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 staff to investigating potential fraud cases and processing any resulting improper payment due to the government.

With the goal of reducing IP in the FECA program, OWCP implemented an IP review process and is committed to addressing issues identified during the review. This review process should lead to substantial improvements in the estimated FECA IP rate in the coming years. Longer term, OWCP is developing plans to improve the program integrity function in its programs with auditors and data analysts to provide greater oversight and analysis of payment accuracy.

[1] As noted in **Table 2**, under the "Other" root cause category above.

VIII. Agency Information Systems and Other Infrastructure

a. *For all programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1, agencies shall describe whether the agency has the internal controls, human capital, and information systems and other infrastructure it needs to reduce IPs to the levels the agency has targeted.*

b. *If the agency does not have such internal controls, human capital, and information systems and other infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to establish and maintain the necessary internal controls, human capital, and information systems and other infrastructure.*

Unemployment Insurance 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 improper payments. These staffs work closely with agency management to ensure sufficient controls are in place to prevent improper payments, conduct complex fraud investigations, and operate the activities required to recover improper payments if they have been made.

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 improper payments. 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 over $800 million 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. Included in these supplemental funding grants to states are approximately $361 million provided 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 14 states.

Federal Employees’ Compensation Act 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, benefits payment status and attorney fees 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.

Initial payments made in the first 90 days of a compensation claim and payments made on claims initiated prior to November 2000 that have not been imaged and stored electronically in OWCP's iFECS system are not included in the FECA improper payment estimation methodology. The Department is dedicated to ensuring beneficiaries receive the benefits they are entitled to in a timely manner and has concluded that pursuing information on non-imaged (pre-November 2000) cases would not be cost effective and would not provide a statistically significant benefit to sample a steadily diminishing population.

IX. Barriers

For all programs and activities as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2 with IPs exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1, agencies shall describe any statutory or regulatory barriers, which may limit the agency's corrective actions in reducing IPs and actions taken by the agency to mitigate the barriers' effects.

Unemployment Insurance Program:

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

Federal-State Partnership: Each state administers the UI program according to its own laws and policies, which must conform to broad federal requirements. Improper payment 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 improper payment reduction activities.

Delays in receiving separation information: As discussed in **section I. Risk Assessments: Program Integrity Overview - 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: In recent years state staffing resources have been negatively impacted in two ways. First, the administration funding for the UI program 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. In addition, the per-staff cost factors have only been increased for inflation once since 1995, and that was by 1% in 2010. From 1995 through 2015 inflation, as measured by the consumer price index (CPI), has increased by 55.5%, causing prevailing wages to increase beyond states' ability to compete for staff in the labor market. Also, state furloughs and hiring freezes have reduced the UI administrative staff overall. Due to these personnel dislocations and staffing mismatches, UI claims adjudication was often conducted by less experienced or inadequately trained staff, resulting in an increased number of claims processing errors.

Second, state agencies' employees who leave through normal attrition or early 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 and in some cases use vague language making it difficult to interpret consistently. It is very difficult for state UI agencies to verify claimant work search contacts with employers, given the methods of employment application vary widely in the current labor market, such as the posting of resumes on employment search engines and large databases. In addition, employers do not maintain records on all applicants or individuals submitting resumes, also adding to the challenge of validating work search. Strategies to address these challenges are few. 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 a result of all these factors, 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, such as cross-matching claimant information with the new hire and other databases. Additionally, many state systems are several decades old and cannot be easily adapted to new improper payment detection methods, such as generating follow-up communications with claimants and employers to verify new hire matches.

Federal Employees' Compensation Act Program:

The largest category of discrepancies identified involved various elements of payments. The identified IPs highlight the ongoing difficulty that FECA has with its payment process, namely reliance on reporting by other Federal agencies. In many instances the information supplied by the injured worker's employing agency is incomplete or inaccurate. No automated mechanism exists to determine or validate the accuracy of the information reported by the employing agency. This plays a role in FECA's improper payment rate, increasing the overall improper payment number. Had the proper pay rate information been received, the FY2016 FECA improper payment rate would have been estimated at only 2.85%, instead of the 3.54% found.

Lastly, the urgency of FECA payments must be considered when reviewing payment performance. FECA wage-loss payments are issued to injured employees who are likely without any other source of income, so it is imperative that the program issues the payments in an accurate and timely manner. The priority to avoid undue hardship to the stakeholders FECA serves restricts the program's ability to put additional controls in place, such as a more detailed pre-payment review process. Instead, FECA is focusing resources and training on enhancing the timely and accurate payment process.

X. Recapture of Improper Payments Reporting

a. *Payment Recapture Audits Narrative. See OMB Circular A-123, Appendix C Part I.D for more information about payment recapture audits. All programs and activities that expend $1 million or more annually – including grant, benefit, loan, and contract programs – shall be considered for payment recapture audits. An agency shall discuss payment recapture audit (or recovery auditing) efforts, if applicable.*
b. *Programs Excluded from the Payment Recapture Audit Program. If the agency has excluded any programs or activities from review under its payment recapture audit program (including any programs or activities where the agency has determined a payment recapture audit program is not cost-effective), the agency must:*

1. *List all of the programs and activities where it has been determined conducting a payment recapture audit program would not be cost effective (whether determination occurred in the current year or in a prior year),*
2. *Indicate when OMB was notified (month and year) that it was not cost effective to conduct a payment recapture audit and the program would be excluded from a payment recapture audit program, and*
3. *Provide the justification and a summary of the analysis that is used to determine that conducting a payment recapture audit program for the program or activity was not cost effective (i.e., a discussion of the analysis conducted to determine that a payment recapture audit program would not be cost-effective).*

c. *Payment Recapture Audit Reporting. Complete the table (Table 4) below and include each program or activity that expends $1 million or more annually and either conducts a payment recapture audit or recaptures payments outside of a payment recapture audit (if any of this information is not available indicate by either note or by "n/a" in the relevant column or cell). Agencies may include a footnote to list the programs or activities that do not have a recovery audit program in place. Programs or activities where the agency has determined a payment recapture audit program is not cost effective should still be listed in the table below if they have overpayments recaptured outside of a payment recapture audit (see the Overpayments Recaptured Outside of Payment Recapture Audits section below for more information). Dollars shall be displayed in millions and shall be carried out by at least two decimal points or be carried out to as many decimal points as the agency deems necessary to convey accurate information beyond two decimal points. For 157 ease of presentation, if a column in Table 4 does not apply to any of the programs or activities listed in Table 4 for a particular agency, the column does not need to be displayed. Note that these will be payments that were identified and/or recaptured in the current reporting year; however, the actual payment itself may have been made in a prior reporting year or in the current reporting year.*

d. *Overpayments Recaptured Outside of Payment Recapture Audits. As applicable, agencies should also report on IPs identified and recovered through sources other than payment recapture audits. For example, agencies could report on IPs identified through: statistical samples conducted under IPIA; agency post payment reviews or audits; Office of Inspector General reviews; Single Audit reports; self-reported overpayments; or reports from the public. Agencies should use the "Overpayments Recaptured Outside of Payment Recapture Audits" section of Table 4 to report this information. Note that these will be payments that were identified and/or recaptured in the current reporting year; however, the actual payment itself may have been made in a prior reporting year or in the current reporting year.*

e. *Payment Recapture Audit Program Targets. If an agency has a payment recapture audit program in place, then the agency is required to establish annual targets to drive their annual performance. The targets shall be based on the rate of recovery. Agencies are expected to report CY amounts and rates, as well as recapture rate targets for two years (CY+1 and CY+2). Agencies are encouraged to set targets that show an increase in recapture rate over time.*

As reported to OMB in November 2014 in the FY 2014 AFR and *FY 2014 Recapture Audit Report*, and in previous such reports, DOL risk assessments have found that recapture audit programs are cost effective for only the UI program. As part of the Department's regular cycle of triennial Department-wide risk assessments, these determinations will be revaluated for all programs and reported in FY 2017.

In conjunction with IP risk assessments, recapture audit cost-benefit analysis of nine newly authorized WIOA programs was conducted in 2016. These analyses found recapture audits would not be cost effective at this time.

WIOA Authorized Program	Cost-Benefit Analysis Date	Result
Adult Employment and Training Activities	09/2016	Not cost effective
Dislocated Worker Employment and Training Activities (National Reserve)	09/2016	Not cost effective
Youth Activities	09/2016	Not cost effective
Workforce Data Quality Initiative	09/2016	Not cost effective
Indian and Native American Programs	09/2016	Not cost effective
Migrant and Seasonal Farmworkers	09/2016	Not cost effective
YouthBuild	09/2016	Not cost effective
Reintegration of Ex-Offenders	09/2016	Not cost effective
Dislocated Worker Employment and Training Activities (Formula)	09/2016	Not cost effective

Table 4.0: Overpayments Recaptured through Payment Recapture Audits ($ in millions)

	Benefits					Total	
Program or Activity	Amount Identified	Amount Recaptured	FY 2016 Recapture %	FY 2017 Recapture % (Target)	FY 2018 Recapture % (Target)	Amount Identified	Amount Recaptured
UI	$1,239.03	$976.12	78.78%	71.0%	71.0%	$1,239.03	$976.12
Total	$1,239.03	$976.12	78.78%	71.0%	71.0%	$1,239.03	$976.12

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, 2015 through June 30, 2016, the most recent period for which data are available.
Data have been estimated for states with missing ETA 227 and EUC 227 reports.

Table 4.1: Overpayments Recaptured Outside of Payment Recapture Audits ($ in millions)

No program which expended over $1 million or greater reported overpayments recovered outside of payment recapture audits.

Table 5: Disposition of Funds Recaptured Through Payment Recapture Audits ($ in millions)

Program or Activity	Amount Recovered	Type of Payment	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Returned to Treasury	Other
UI	$976.12	UI Benefits	NA	NA	NA	$976.12	NA	NA
Total	$976.12		NA	NA	NA	$976.12	NA	NA

Note: Federal law prohibits the use of UI funds recaptured for anything but the original purpose.

Table 6: Aging of Outstanding Overpayments Identified in the 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 collectable [1]
UI	UI Benefits	$556.79	$468.26	$1,637.17	$1,229.08
Total	[redacted]	$556.79	$468.26	$1,637.17	$1,229.08

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).

Unemployment Insurance 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.

The Department coordinates with states to recover UI overpayments. Each state's 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 2016, approximately $10.29 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. As of September 2016, 45 state agencies have implemented TOP and 4 other states have scheduled testing and implementation. An estimated $179.3 million in UI overpayments were recovered through TOP in FY 2016. 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 the date that is one year after the debt was finally determined to be due and collected.

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.

Table 4.0, above, provides a summary of UI overpayments established and recovered as a result of the activities described above.

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

Table 4.2.UI: 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	$1,146.71	$827.16	72.13%	$1,239.03	$976.12	78.78%

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 improper payment 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 the revised 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 states' UI trust fund account from which they were paid.

As noted in Table 6.0 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.

No UI benefit overpayments were recovered outside of payment recapture audits.

XI. Additional Comments

Discuss any additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA, IPERA, and or IPERIA implementation.

Unemployment Insurance Program:

Other Barriers and Department Response: The Department of Treasury requires states to use merit-based state government staff to access TOP data. However, several states use contract staff to perform program activities that require accessing TOP data, most notably IT support staff. Some states have reported difficulties in implementing the TOP program due to Treasury's mandate to use merit staff. Treasury is working with the Department to provide customized technical assistance to resolve this issue.

ETA is working to fulfill the requirement under Part II.B.1.c.ii of OMB Memorandum M-15-02 to submit proposed statutory changes to Congress that are necessary to help bring the program into compliance with IPERA. Program integrity legislative proposals, including allowing states to use a percentage of recovered UI overpayments to detect and deter benefit overpayments, was included in the FY 2017 President's Budget. As of August 2016, an integrity legislative package is completing OMB review that, if enacted, will provide both new tools and resources for states to support improved program integrity and to help lower the UI improper payment rate.

Federal Employees' Compensation Act Program:

The FECA program believes that the implementation of data analytics will provide greater oversight and insight into payment accuracy. FECA is analyzing the results of an Improper Payments audit conducted in FY2016 to determine further corrective actions to be applied in FY2017. FECA continues to work towards reducing IP, and plans enhanced program integrity efforts in FY2017. This includes conducting studies to review historical payment data in search of anomalies indicative of potential improper payments, using predictive analytics tools to identify behaviors and trends that might indicate the likelihood of future improper payments and continuous monitoring of all general payment activities.

In addition, the Program continues to work with other Federal partners such as SSA and OPM to facilitate data matches and enhance communication aimed at IP reduction. These activities will benefit both partner agencies, resulting in government-wide improper payment reductions.

Barriers to Implementation of OIG Recommendations: In recent reports, the Department's OIG has offered recommendations which the Department has worked to resolve. These recommendations include: changing the payment review methodology to include initial payments made in the first 90 days of compensation and payments for non-imaged cases; reporting limitations of the sampling methodology; and ensuring the identification of improper payment issues identified by fraud investigations and estimate the extent to which these issues exist in the payment population. However, as noted in the Department's responses to these recommendations, OWCP believes many of these recommendations are not cost effective to reduce IP performance or are infeasible.

The Department is dedicated to ensuring injured workers receive the benefits they are entitled to in an accurate and timely manner. Reviewing initial payments made in the first 90 days of a compensation claim, would hinder timely payment to injured workers and would create undue hardship. Additionally, OWCP has concluded that pursuing information on non-imaged (pre-November 2000) cases would not be cost effective, nor would it provide a significant benefit to sample this steadily diminishing population.

The improper payment estimate for fraudulent payments is based on actual restitution amounts awarded in Department of Justice (DOJ) prosecutions for FECA fraud and therefore does not reflect an estimate of undetected fraud. Given the unreliability of estimating the amount of fraud that goes undetected, OWCP maintains that the current OMB approved methodology is the best estimate of fraud for IP estimation. This is supported by the fact that the results of using this methodology have proven effective to identify and address compensation and provider fraud.

The Department understands the recommendations offered in relation to methodology and completeness and has taken many steps to address these issues as reported in the FY15 AFR. However, FECA does not believe the recommendations would provide any appreciable improvement to payment integrity and would not be cost effective.

XII. Reduction of Improper Payments with the Do Not Pay Initiative

IPERIA requires pre-payment and pre-award reviews by each agency to determine program or award eligibility and to prevent improper payments before the release of any Federal funds. The procedures must ensure that a thorough review on eligibility occurs with relevant information of available databases.

IPERIA also requires OMB to submit to the Congress an annual report, "which may be included as part of another report submitted to Congress by the Director, regarding the operation of the Do Not Pay Initiative, which shall:

A. include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards; and

B. provide the frequency of corrections or identification of incorrect information."

To support this requirement, all agencies shall provide a brief narrative discussing the agency's actions attributable to the Do Not Pay Initiative and respective databases on an annual basis, regardless of the agency's susceptibility to improper payments. This narrative shall include an evaluation of whether the Do Not Pay Initiative has reduced improper payments or improper awards; identify the frequency of corrections or identification of incorrect information; and include completion of the table that follows (Table 7).

Do Not Pay (DNP) Initiative is a government-wide initiative mandated by OMB Memorandum M-12-11 dated April 12, 2012, Reducing Improper Payments through the "Do Not Pay List,", and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 (Pub. L. 112-248) to screen payment recipients before a grant, contract award or payment is made. DOL has implemented the screening of payments through the Treasury Do Not Pay Portal and, as appropriate, screens payments via the DNP databases directly.

IPERIA Specified Databases: In FY 2016, the following databases were specified by IPERIA:

- Death Master File of the Social Security Administration (DMF),
- General Services Administration's Excluded Parties List System (EPLS), (or the updated System for Award Management (SAM))
- Debt Check Database of the Department of the Treasury (Debt Check),

- Credit Alert System or Credit Alert Interactive Voice Response System of the Department of Housing and Urban Development (CAIVRS),
- List of Excluded Individuals/Entities of the Office of Inspector General of the Department of Health and Human Services (LEIE), and
- Prisoner Update Processing System of the Social Security Administration (PUPS), as added to IPERIA by the Bipartisan Budget Act of 2013, Public Law 113–67.

Table 7: Results of the Do Not Pay Initiative in Preventing Improper Payments ($ in millions)

Program or Activity	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]	2,141,859	$6,713	0	0	851	$0.95
Reviews with databases not listed in IPERIA [2]	NA	NA	NA	NA	NA	NA
Notes: [1] Indicates payments reviewed by the DNP Portal. [2] Information is not collectable at this time, as detailed in narrative below.						

Overview of Do Not Pay: IPERIA and OMB directives require agencies to integrate the use of existing Federal 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.

Approach for Implementing DNP Portal: Incorporating the DNP Portal fully into DOL's business processes is a major undertaking involving the active cooperation of not only OMB, Treasury, and DOL component agencies, but also the states. OCFO facilitated development of a Plan for enrollment and implementation with affected component agencies. Component agencies work with OCFO to implement the DNP Solution in their business processes. Component agencies are responsible for implementation of DNP within their business processes and interfacing with state stakeholders where appropriate.

DNP Portal Payment Reviews: Since FY 2015, the DNP Portal has been comparing the Department's Payment Automation Manager (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 improper payment. Since its inception, none of the matches returned by the DNP Portal have been found to be improper payments.

Reviews of IPERIA Specified Databases Outside the DNP Portal: DOL programs review IPERIA specified databases 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. Prior to passage of the Federal Improper Payments Coordination Act (FIPCA) on 12/18/2015, 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 detail in **section V. Corrective Actions: UI**, above. These reviews are designed to prevent IP and vary significantly by specific programmatic need. Because of programmatic variation and the high likelihood of "double matching" a single payment against multiple databases, comparable statistics on potential IP prevented by these efforts cannot be collected cost effectively. The Department is reviewing if this data can be cost effectively collected during the course of regular risk assessments.

Reviews of non-IPERIA Specified Databases: The Department maintains comprehensive, cost effective internal controls to ensure the payment integrity of all programs. Among these controls DOL programs review payment files against certain databases not specified by IPERIA. 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. These efforts are discussed in detail in **section V. Corrective Actions: UI**, above. Because of programmatic variation and the high likelihood of "double matching" a single payment against multiple databases, comparable statistics on potential IP prevented by these efforts cannot be collected cost effectively. The Department is reviewing if this data can be cost effectively collected during the course of regular risk assessments.

Freeze the Footprint

Consistent with Section 3 of OMB Memorandum M-12-12, Promoting Efficient Spending to Support Agency Operations and OMB Management Procedures Memorandum M-13-02, the "Freeze the Footprint" (FTF) policy implementing guidance, all Chief Financial Officer Act departments and agencies shall not increase the total square footage of their domestic office and warehouse inventory compared to the FY 2012 baseline. There are significant opportunities for reductions in square footage and cost savings through agency co-locations, consolidations, and disposals of unneeded space within the Federal Government's vast portfolio of real property assets. As a result, OMB is working in partnership with GSA and other Federal agencies to better align the size of the Federal real property inventory.

Per Section 11.5.10 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 Freeze the Footprint

Overall, the space utilization for DOL personnel in GSA provided office space is 258.6 square feet per person, and represents an opportunity for DOL to achieve both rent savings and a reduction of the total office footprint nation-wide. 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 FTF 1 reflects the total square footage associated with DOL's assets subject to "Freeze 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 2015, and compares it to the FY 2012 "Freeze the Footprint" baseline (as assigned by GSA). The square footage totals reported align with agency totals confirmed by GSA.

Table FTF 1: Freeze the Footprint Baseline Comparison

	FY 2012 Baseline	2015 (CY)	Change (2015 CY - FY 2012 Baseline)
Square Footage	6,942,509	6,929,749	-12,760

Table FTF 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 "Freeze 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[1] . The cost data reported by DOL is based directly on data reported into the latest available Federal Real Property Profile database.

Table FTF 2: Operation and Maintenance Costs – Owned and Direct Lease Buildings ($ in millions)

	FY 2012 Reported Cost	2015 (CY)	Change (2015 CY - FY 2012 Baseline)
Operation and Maintenance Costs	$6.9	$7.8	$0.9

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. We have developed a process for internal reviews and

[1] See GSA, Office of Government-wide Policy, Federal Real Property Council, 2016 Guidance for Real Property Inventory Reporting (May 16, 2016) p.6.

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 (Job Corps Centers), disposal is a unique challenge given the campus-like nature of the Centers.

The decrease in space from FY 2012 to FY 2015 occurred despite the addition of nearly 43,000 sq. ft. of office and warehouse space from construction of new Job Corps Centers in New Hampshire and Wyoming.

Table CMP 1: 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 (Federal Register 81 (1 July 2016): 43429 – 43461).

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 (Bureau)
EBSA	29 USC §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://ecfr.io/Title-29/sp29.9.2575.a
EBSA	29 USC 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	2016	Up to $2,063 per day per failure.	https://ecfr.io/Title-29/sp29.9.2575.a
EBSA	29 USC §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	2016	Up to $1,632 per day per failure.	https://ecfr.io/Title-29/sp29.9.2575.a

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 (Bureau)
EBSA	29 USC §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	2016	Up to $1,502 per day per failure.	https://ecfr.io/Title-29/sp29.9.2575.a
EBSA	29 USC §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	2016	Up to $147 per day not to exceed $1,472 per request.	https://ecfr.io/Title-29/sp29.9.2575.a
EBSA	29 USC §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	2016	Up to $131 per day per failure.	https://ecfr.io/Title-29/sp29.9.2575.a
EBSA	29 USC §1132(c)(8); 29 CFR 2575.2(g)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502 (c)(8) – Failure to adopt a multiemployer Defined Benefit (DB), funding improvement, rehabilitation plan or meet benchmarks.	2006	2016	Up to $1,296 per day per failure.	https://ecfr.io/Title-29/sp29.9.2575.a
EBSA	29 USC §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	2016	Up to $110 per day per failure.	https://ecfr.io/Title-29/sp29.9.2575.a

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 (Bureau)
EBSA	29 USC §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	2016	Up to $110 per day per failure.	https://ecfr.io/Title-29/sp29.9.2575.a
EBSA	29 USC §1132(c)(10); 29 CFR 2575.2(j)(1)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(10) - 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	2016	$110 per day per participant and beneficiary during noncompliance period.	https://ecfr.io/Title-29/sp29.9.2575.a
EBSA	29 USC §1132(c)(10); 29 CFR 2575.2(j)(2)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(10) - Minimum penalty for uncorrected de minimis violations.	2008	2016	Minimum penalty of $2,745 per participant or beneficiary for de minimis failures not corrected prior to notice from Department of Labor.	https://ecfr.io/Title-29/sp29.9.2575.a

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 (Bureau)
EBSA	29 USC §1132(c)(10); 29 CFR 2575.2(j)(3)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(10) – Minimum penalty for uncorrected violations that are not de minimis.	2008	2016	Minimum penalty of $16,473 per participant or beneficiary for non- de minimis failures not corrected prior to notice from Department of Labor.	https://ecfr.io/Title-29/sp29.9.2575.a
EBSA	29 USC §1132(c)(10); 29 CFR 2575.2(j)(4)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502(c)(10) - Unintentional failure maximum.	2008	2016	Maximum of $549,095 for non-intentional failures.	https://ecfr.io/Title-29/sp29.9.2575.a
EBSA	29 USC §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	2014	Up to $100 per day per failure.	https://ecfr.io/Title-29/sp29.9.2575.a
EBSA	29 USC §1132(m); 29 CFR 2575.2(l)	Employee Retirement Income Security Act of 1974 (ERISA), as amended Section 502 (m) – Penalty against fiduciary for failure to make a proper distribution from a defined benefit plan under section 206(e) of ERISA.	1994	2016	Up to $15,909 per distribution.	https://ecfr.io/Title-29/sp29.9.2575.a

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 (Bureau)
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 Coverage under PHS Act section 2715(f), as incorporated in ERISA section 715 and 29 CFR 2590.715-2715(e).	2010	2016	Up to $1,087 per failure.	https://ecfr.io/Title-29/sp29.9.2575.a
MSHA	30 CFR 100.3(A)	Federal Mine Safety and Health Act of 1977 (Mine Act). General violation of a mandatory health or safety standard or violation of any other provision of the Mine Act, as amended.	1977	2007	Maximum $68,300	http://162.140.57.127/cgi-bin/retrieveECFR?gp=&SID=b9fe08d372afea1283165259e48c5ad6&mc=true&n=pt30.1.100&r=PART&ty=HTML#se30.1.100_13
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	2007	Minimum $127 Maximum $68,300	http://162.140.57.127/cgi-bin/retrieveECFR?gp=&SID=b9fe08d372afea1283165259e48c5ad6&mc=true&n=pt30.1.100&r=PART&ty=HTML#se30.1.100_13

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 (Bureau)
MSHA	30 CFR 100.4(a)	Federal Mine Safety and Health Act of 1977 (Mine Act). Unwarrantable failure and immediate notification. Minimum penalty for any citation or order issued under section 104(d)(1) of the Mine Act.	1977	2007	Minimum $2,277	http://162.140.57.127/cgi-bin/retrieveECFR?gp=&SID=b9fe08d372afea1283165259e48c5ad6&mc=true&n=pt30.1.100&r=PART&ty=HTML#se30.1.100_14
MSHA	30 CFR 100.4(b)	Federal Mine Safety and Health Act of 1977 (Mine Act). Unwarrantable failure and immediate notification. Minimum penalty for any order issued under section 104(d)(2) of the Mine Act.	1977	2007	Minimum $4,553	http://162.140.57.127/cgi-bin/retrieveECFR?gp=&SID=b9fe08d372afea1283165259e48c5ad6&mc=true&n=pt30.1.100&r=PART&ty=HTML#se30.1.100_14
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	2007	Minimum $5,692 Maximum $68,300	http://162.140.57.127/cgi-bin/retrieveECFR?gp=&SID=b9fe08d372afea1283165259e48c5ad6&mc=true&n=pt30.1.100&r=PART&ty=HTML#se30.1.100_14
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 $7,399	http://162.140.57.127/cgi-bin/retrieveECFR?gp=&SID=b9fe08d372afea1283165259e48c5ad6&mc=true&n=pt30.1.100&r=PART&ty=HTML#se30.1.100_15

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 (Bureau)
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	2007	Maximum $313	http://162.140.57.127/cgi-bin/retrieveECFR?gp=&SID=b9fe08d372afea1283165259e48c5ad6&mc=true&n=pt30.1.100&r=PART&ty=HTML#se30.1.100_15
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	2007	Maximum $250,433	http://162.140.57.127/cgi-bin/retrieveECFR?gp=&SID=b9fe08d372afea1283165259e48c5ad6&mc=true&n=pt30.1.100&r=PART&ty=HTML#se30.1.100_15
OSHA	29 CFR 1903.15(d)(1) and 29 CFR 1903.15(d)(2)	Occupational Safety and Health Act (OSH Act) Penalty per willful violation and penalty per repeated violation under section 17(a) of the Act, 29 U.S.C. 666(a).	1970	2016	Minimum $8,908 Maximum $124,709	http://www.ecfr.gov/cgi-bin/text-idx?SID=d353713b702e3cbd2e07df015e61a32c&mc=true&node=pt29.5.1903&rgn=div5#se29.5.1903_115
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	2016	Maximum $12,471	http://www.ecfr.gov/cgi-bin/text-idx?SID=d353713b702e3cbd2e07df015e61a32c&mc=true&node=pt29.5.1903&rgn=div5#se29.5.1903_115

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 (Bureau)
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, and 29 U.S.C. 666(c)	1970	2016	Maximum $12,471	http://www.ecfr.gov/cgi-bin/text-idx?SID=d353713b702e3cbd2e07df015e61a32c&mc=true&node=pt29.5.1903&rgn=div5#se29.5.1903_115
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, and 29 U.S.C. 666(d).	1970	2016	Maximum $12,471 per day	http://www.ecfr.gov/cgi-bin/text-idx?SID=d353713b702e3cbd2e07df015e61a32c&mc=true&node=pt29.5.1903&rgn=div5#se29.5.1903_115
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	2016	Maximum $12,471	http://www.ecfr.gov/cgi-bin/text-idx?SID=d353713b702e3cbd2e07df015e61a32c&mc=true&node=pt29.5.1903&rgn=div5#se29.5.1903_115
OWCP	20 CFR 702.204	Longshore and Harbor Workers' Compensation Act Failure to file first report of injury or filing a false statement or misrepresentation in first report.	1927	1984	Maximum $22,597	http://www.ecfr.gov/cgi-bin/text-idx?SID=20abcf843ce6d8911b601302575a5371&mc=true&node=se20.4.702_1204&rgn=div8

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 (Bureau)
OWCP	20 CFR 702.236	Longshore and Harbor Workers' Compensation Act Failure to report termination of payments.	1927	1927	Maximum $275	http://www.ecfr.gov/cgi-bin/text-idx?SID=72a3f0e337570e38a9bf4e18a1616601&mc=true&node=se20.4.702_1236&rgn=div8
OWCP	20 CFR 702.271(a)(2)	Longshore and Harbor Workers' Compensation Act Discrimination against employees who claim compensation or testify in a LHWCA proceeding.	1927	1984	Minimum $2,259 Maximum $11,293	http://www.ecfr.gov/cgi-bin/text-idx?SID=ef6e14c9c6ec75a23f1cabfddfdee0e4&mc=true&node=se20.4.702_1271&rgn=div8
OWCP	20 CFR 725.621 (b), (d)	Black Lung Benefits Act Failure to report termination of payments.	1978	1978	Maximum $1,375	http://www.ecfr.gov/cgi-bin/text-idx?SID=9fdbe5a0681e36f6fd042d645030cd74&mc=true&node=se20.4.725_1621&rgn=div8
OWCP	20 CFR 725.621(d)	Black Lung Benefits Act Failure to file required reports.	1978	1978	Maximum $1,375	http://www.ecfr.gov/cgi-bin/text-idx?SID=9fdbe5a0681e36f6fd042d645030cd74&mc=true&node=se20.4.725_1621&rgn=div8
OWCP	20 CFR 726.300	Black Lung Benefits Act Failure to secure payment of benefits.	1978	1978	Maximum, $2,500	http://www.ecfr.gov/cgi-bin/text-idx?SID=95133e35a58c22de7def8eea6964ef03&mc=true&node=se20.4.726_1300&rgn=div8

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 (Bureau)
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	2001	Minimum $134	http://www.ecfr.gov/cgi-bin/text-idx?SID=d353713b702e3cbd2e07df015e61a32c&mc=true&tpl=/ecfrbrowse/Title20/20cfrv4_02.tpl#700
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	2001	Minimum $268	http://www.ecfr.gov/cgi-bin/text-idx?SID=d353713b702e3cbd2e07df015e61a32c&mc=true&tpl=/ecfrbrowse/Title20/20cfrv4_02.tpl#700
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	2001	Minimum $402	http://www.ecfr.gov/cgi-bin/text-idx?SID=d353713b702e3cbd2e07df015e61a32c&mc=true&tpl=/ecfrbrowse/Title20/20cfrv4_02.tpl#700
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	2001	Minimum $535	http://www.ecfr.gov/cgi-bin/text-idx?SID=d353713b702e3cbd2e07df015e61a32c&mc=true&tpl=/ecfrbrowse/Title20/20cfrv4_02.tpl#700

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 (Bureau)
OWCP	20 CFR 726.302(c)(4)	Black Lung Benefits Act Failure to secure payment of benefits after 10th day of notice.	1978	2001	Minimum $134	http://www.ecfr.gov/cgi-bin/text-idx?SID=d353713b702e3cbd2e07df015e61a32c&mc=true&tpl=/ecfrbrowse/Title20/20cfrv4_02.tpl#700
OWCP	20 CFR 726.302(c)(5)	Black Lung Benefits Act Failure to secure payment of benefits for repeat offenders.	1978	2001	Minimum $402	http://www.ecfr.gov/cgi-bin/text-idx?SID=2abcaa162ed3868bfda764c7b3f34f8e&mc=true&node=se20.4.726_1302&rgn=div8
OWCP	20 CFR 726.302(c)(6)	Black Lung Benefits Act Failure to secure payment of benefits.	1978	1978	Maximum $2,750	http://www.ecfr.gov/cgi-bin/text-idx?SID=2abcaa162ed3868bfda764c7b3f34f8e&mc=true&node=se20.4.726_1302&rgn=div8
WHD	40 USC 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	1962	Maximum $25	https://www.dol.gov/whd/resources/cmp.htm

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 (Bureau)
WHD	29 USC 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	1988	Maximum $19,787	https://www.dol.gov/whd/resources/cmp.htm

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 (Bureau)
WHD	29 USC 211(d); 29 CFR 530.302	Fair Labor Standards Act (FLSA) Homeworker (1) Violation of recordkeeping, monetary, certificate or other statutes, regulations or employer assurances.	1938	1988	Minimum $20 Maximum 989	https://www.dol.gov/whd/resources/cmp.htm
WHD	29 USC 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	2008	Maximum $12,080	https://www.dol.gov/whd/resources/cmp.htm
		(2) Violation of child labor standards (sec 212 or 213(c)) resulting in serious injury or death.	1938	2008	Maximum $54,910	https://www.dol.gov/whd/resources/cmp.htm
		(3) Willful or repeated violation of child labor standards (sec 212 or 213(c)) resulting in serious injury or death.	1938	2008	Maximum $109,820	https://www.dol.gov/whd/resources/cmp.htm
WHD	29 USC 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	1989	Maximum $1,894	https://www.dol.gov/whd/resources/cmp.htm

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 (Bureau)
WHD	29 USC 2619(b); 29 CFR 825.300(a)	Family & Medical Leave Act (FMLA) Willful violation of posting requirement.	1993	1993	Maximum $163	https://www.dol.gov/whd/resources/cmp.htm
WHD	8 USC 1288(c)(4)(E)(i); 20 CFR 655.620	Immigration & Nationality Act (D-1) (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	1990	Maximum $8,908	https://www.dol.gov/whd/resources/cmp.htm
WHD	8 USC 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	1952	1990	Maximum $1,782	https://www.dol.gov/whd/resources/cmp.htm

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 (Bureau)
		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.				

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 (Bureau)
WHD	8 USC 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	1998	Maximum $7,251	https://www.dol.gov/whd/resources/cmp.htm
WHD	8 USC 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	1998	Maximum $50,758	https://www.dol.gov/whd/resources/cmp.htm

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 (Bureau)
WHD	8 USC 1188(g)(2); 29 CFR 501.19(c)	Immigration & Nationality Act (H-2A) Violation of the work contract or a requirement of 8 USC 1188, 20 CFR part 655 subpart B, or 29 CFR part 501.	1952	2010	Maximum $1,631	https://www.dol.gov/whd/resources/cmp.htm
WHD	8 USC 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 USC 1188, 20 CFR part 655 subpart B, or 29 CFR part 501.	1952	2008	Maximum $5,491	https://www.dol.gov/whd/resources/cmp.htm
WHD	8 USC 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 USC 1188, 20 CFR part 655 subpart B, or 29 CFR part 501, that proximately causes the death or serious injury of any worker.	1952	2010	Maximum $54,373	https://www.dol.gov/whd/resources/cmp.htm
WHD	8 USC 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 USC 1188, 20 CFR part 655 subpart B, or 29 CFR part 501, that proximately causes the death or serious injury of any worker.	1952	2010	Maximum $108,745	https://www.dol.gov/whd/resources/cmp.htm
WHD	8 USC 1188(g)(2); 29 CFR 501.19(d)	Immigration & Nationality Act (H-2A) Violation for failure to cooperate in an investigation.	1952	2008	Maximum $5,491	https://www.dol.gov/whd/resources/cmp.htm

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 (Bureau)
WHD	8 USC 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	2010	Maximum $16,312	https://www.dol.gov/whd/resources/cmp.htm
WHD	8 USC 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 USC 1188, 20 CFR part 655 subpart B, or 29 CFR part 501.	1952	2010	Maximum $16,312	https://www.dol.gov/whd/resources/cmp.htm

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 (Bureau)
WHD	8 USC 1184(c)(14); 29 CFR 503.23(a)	Immigration & Nationality Act (H-2B) (1) Willful misrepresentation of a material fact on the H-2B Registration, Application for Temporary Employment Certification, or H-2B Petition; (2) Substantial failure to meet any of the terms and conditions of the H-2B Registration, Application for Temporary Employment Certification, or H-2B Petition. A substantial failure is a willful failure to comply that constitutes a significant deviation from the terms and conditions of such documents; or (3) Willful misrepresentation of a material fact to the Department of State during the visa application process.	1952	2005	Maximum $11,940	https://www.dol.gov/whd/resources/cmp.htm
WHD	8 USC 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	2005	Maximum $11,940	https://www.dol.gov/whd/resources/cmp.htm

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 (Bureau)
WHD	8 USC 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	2005	Maximum $11,940	https://www.dol.gov/whd/resources/cmp.htm
WHD	8 USC 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	2005	Maximum $11,940	https://www.dol.gov/whd/resources/cmp.htm
WHD	29 USC 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	1983	Maximum $2,355	https://www.dol.gov/whd/resources/cmp.htm
WHD	41 USC 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	1936	Maximum $25	https://www.dol.gov/whd/resources/cmp.htm

The Schedule of Spending presents an overview of how and where the Department is spending its money. It is presented on a budgetary basis, the same as the Combined Statements of Budgetary Resources (SBR). Amounts shown below as "Total amounts agreed to be spent" equal amounts shown as "New obligations and upward adjustments" on the SBR.

To improve public transparency and the quality of data reported on USASpending.gov, DOL has begun reconciliation efforts between new obligations and upward adjustments reported on the financial statements and spending reported on USASpending.gov. Obligations included on the financial statements that are not included on USASpending.gov generally include: financial assistance direct payments, personnel compensation and benefits, leases, interagency agreements, travel, and training. Differences may also exist due to timing differences between new obligations and upward adjustments reported in DOL's financial reporting system and data transmitted to USASpending.gov through the Federal Procurement Data System.

(Dollars in Millions)	2016	2015
Section I – What money is available to spend?		
This section presents resources that were available to spend by the Department.		
Total resources	$ 58,845	$ 58,137
Less amount available but not agreed to be spent	(3,121)	(2,809)
Less amount not available to be spent	(835)	(639)
Total amounts agreed to be spent	$ 54,889	$ 54,689
Section II – How was the money spent?		
This section presents services or items purchased and grouped for the Department's major programs.		
Income maintenance		
Insurance claims and indemnities	$ 36,864	$ 36,005
Net internal transfers between DOL funds	3,892	4,248
Personnel compensation and benefits	338	314
Contractual services and supplies	398	414
Grants, subsidies, and contributions	3,726	3,721
Interest	455	649
Other	67	122
Employment and training		
Personnel compensation and benefits	272	263
Contractual services and supplies	1,537	1,723
Grants, subsidies, and contributions	4,346	4,230
Other	61	125
Labor, employment and pension standards; worker safety and health; statistics; other		
Personnel compensation and benefits	1,507	1,473
Contractual services and supplies	1,101	1,040
Grants, subsidies, and contributions	280	301
Other	45	62
Total amounts agreed to be spent	$ 54,889	$ 54,689
Section III – Who did the money go to?		
This section identifies with whom the Department is spending money based on new obligations and upward adjustments.		
Individuals	$ 37,041	$ 36,052
Net internal transfers between DOL funds	3,892	4,248
States and local governments	7,125	7,120
Other federal agencies	784	453
Vendors and other	2,951	3,809
Employees	755	795
Higher Education	1,633	1,595
Not-for-profits	708	617
Total amounts agreed to be spent	$ 54,889	$ 54,689

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Employment and Training Administration http://www.doleta.gov

Mine Safety and Health Administration http://www.msha.gov

Occupational Safety and Health Administration http://www.osha.gov/

Office of Disability Employment Policy http://www.dol.gov/odep/

Office of Federal Contract Compliance Programs http://www.dol.gov/ofccp/

Office of Labor-Management Standards http://www.dol.gov/olms/

Office of Workers' Compensation Programs http://www.dol.gov/owcp/

Veterans' Employment and Training Service http://www.dol.gov/vets/

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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
DM&R	Deferred Maintenance and Repairs
DNP	Do Not Pay
DOE	Department of Energy
DOL	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
FAC	Federal Audit Clearinghouse
FASAB	Federal Accounting Standards Advisory Board
FAUC	Federal Additional Unemployment Compensation
FCI	Facilities Condition Index
FDA	Food and Drug Administration
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	Government Accountability Office
GSA	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
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	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
SCSEP	Senior Community Service Employment Program
SCSIA	Statement 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	Social Security Administration
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
USC	United States Code
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

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