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## ***Strategic Goal Two: A Secure Workforce***

### ***Outcome Goals in this Section***

#### **INCREASE COMPLIANCE WITH WORKER PROTECTION LAWS**

- **Wage and Hour Enforcement**
- **Pension And Welfare Benefit Programs**
- **Labor-Management Standards**

#### **TO PROTECT WORKER BENEFITS**

- **Unemployment Insurance**
- **Workers' Compensation Programs**
  - Federal Employee Compensation Act**
  - Longshore and Harbor Workers' Compensation**
  - Black Lung Benefits Program**

#### **TO PROVIDE WORKER RETRAINING**

- **Job Training and Partnership Act ( JTPA) Title III Program**
- **Trade Adjustment Assistance (TAA) and North American Free Trade Agreement-Transitional Adjustment Assistance (NAFTA-TAA)**

## **INTRODUCTION**

The Secretary of Labor's key priorities for this strategic goal are to increase compliance with minimum wage and overtime requirements, enable working Americans to be economically secure by expanding, enhancing, and protecting workers' and retirees' pension, health care, and other benefits, and facilitate community readjustment in those areas suffering from economic change by shortening periods of unemployment and increasing full-time jobs and wage replacement.

This goal is supported by programs of the Pension Benefit Guaranty Corporation (PBGC); Pension Welfare and Benefits Administration (PWBA); ETA's Unemployment Compensation programs; Trade Adjustment Assistance and North American Free Trade Agreement (TAA/NAFTA) programs; Job Training Partnership Act (JTPA) and Dislocated Worker Assistance; the Office of the Inspector General; the Office of the Solicitor of Labor; and the Employment Standards Administration's Wage and Hour Division, Office of Workers' Compensation Programs, and Office of Labor Management Programs.

### **INCREASE COMPLIANCE WITH WORKER PROTECTION LAWS**

*DOL is committed to protecting worker's hours, wages, and other conditions when on the job. This includes enforcement and compliance activities designed to deter and*

*correct violations of relevant statutes; investigating and referring criminal violations to prosecutorial authorities; ensuring that annual reports are filed timely and accurately; and ensuring that audits of employee benefit plans comply with professional standards.*

## **WAGE AND HOUR ENFORCEMENT**

The Wage and Hour Division's overall compliance program balances public education and outreach with enforcement efforts using a variety of techniques. In the last several years, Wage and Hour has increased the proportion of compliance efforts in "directed" or "targeted" investigations – as opposed to complaint-based investigations – from approximately 25 to 30 percent. Targeted (i.e., non-complaint) investigations are used principally to promote compliance and deter and remedy violations in predominately low-wage industries (or industries which have low-wage occupations) – such as agriculture, garment, guard and janitorial services, restaurants, hotels/motels, and health care – because violations are more often egregious and complaints less common in these areas.

Several strategies are used to focus program efforts on achieving these Departmental and supporting program goals: (1) Establish compliance baselines with labor standards laws and regulations in the poultry processing and residential health care industry; (2) Increase compliance in the Los Angeles garment industry to 55%; (3) Improve compliance rates among employers subject to repeat investigations in targeted residential health care and garment industries; and (4) Establish baseline of

valid complaints regarding the accuracy of wage determination rates on the four types of construction covered by the Davis-Bacon Act. Some of the strategies to achieve these goals include:

- establishing compliance baselines in selected low-wage industries through compliance surveys and re-surveys over a two or three year cycle to determine if education/outreach and enforcement strategies and interventions are improving compliance and reducing recidivism;
- developing public and private partnerships to leverage action by others to promote corporate-wide compliance;
- litigating actively and, where possible, initiating criminal prosecution of egregious violators;
- reengineering the Davis-Bacon wage survey/determination system to obtain more appropriate sources for and improved accuracy of wage data; and,
- providing information to employers concerning their responsibilities, and to workers concerning their rights under the laws administered by Wage and Hour.

### ***Performance Measures***

*Establish compliance baselines with labor standards laws and regulations in the poultry processing and residential health care industries.*

Wage and Hour conducted a baseline

compliance survey in the poultry processing industry, which established a 40% compliance rate. Preliminary results of the health care baseline survey of assisted-living facilities completed in the fourth quarter of FY 1997 indicate a 56% compliance rate. This rate may change somewhat as the results of the survey are analyzed in more detail.

*Increase compliance in the Los Angeles garment industry to 55 %.*

The baseline compliance rate for the garment manufacturing industry in Los Angeles was determined to be 22 % in FY 1994. This industry was surveyed again in FY 1996, finding that the rate of compliance had increased by 17 percentage points, to 39%. Although there was a considerable increase in compliance between FY 1994 and FY 1996, the FY 1998 survey showed compliance remained at 39 %. In October 1998, the Department announced enhancements to its multi-prong “No Sweat” strategy aimed to improve the level of compliance in the Nation’s garment industry.

*Improve compliance rates among employers subject to repeat investigations in targeted residential health care and garment industries.*

The residential health care compliance survey, completed in FY 1998, shows that 60% of the residential care facilities previously found in violation and reinvestigated were in compliance, a substantial improvement in compliance, but a 40 % recidivism rate.

The 1998 compliance survey of the Los Angeles garment industry found that only 25% of the garment shops previously found

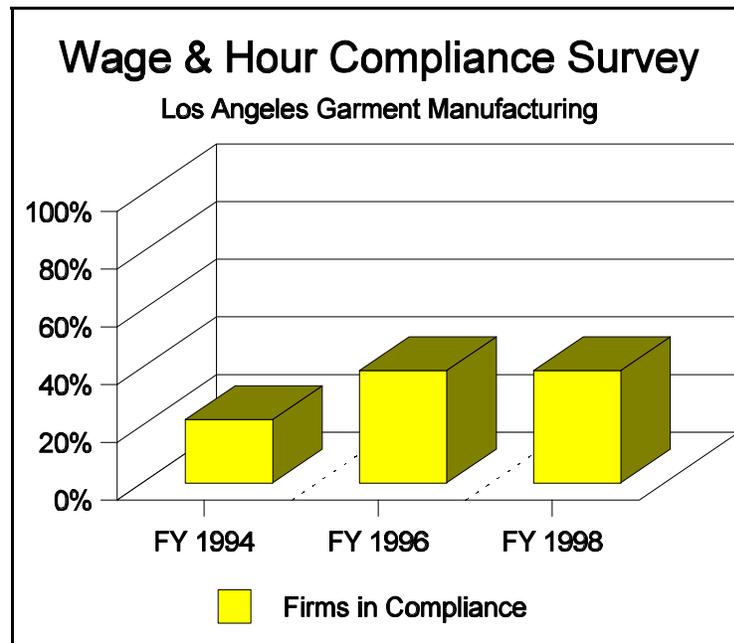
in violation and reinvestigated were in compliance – a 75% recidivism rate.

*Establish baseline of valid complaints regarding the accuracy of wage determination rates on the four types of construction covered by the Davis-Bacon Act.*

During FY 1998, there were no valid complaints regarding the accuracy of wage determination rates on the four types of construction covered by the Davis Bacon Act. As the reengineering of the Davis-Bacon wage determination process becomes operational, Wage and Hour will, in conformance with its strategic plan, measure the accuracy and timeliness of wage determinations.

*Wage and Hour's Back Wage System Improvements Needed:* Previous audits in FY 1993, 1996 and 1997 noted that the Wage and Hour Division (WHD) does not maintain sufficient control over information recorded in the back wage subsidiary system (Back Wage Collection and Disbursement System - BCDS), and certain policies and practices exercised by the regional offices preclude the use of this system as a reliable subsidiary for back wages. In response to the FY 1997 report, WHD indicated that they would redesign the BCDS to ensure that it meets all financial management and accounting standards. WHD plans to complete a detailed design in the third quarter of FY 1999, which will also consider the possibility of outsourcing the entire process.

*Data Quality Control in Civil Monetary Penalties System (CMP):* In an FY 1993 audit, the Office of the Inspector General recommended the installation of a CMP tracking system which would function as a subsidiary for CMP activity and related receivable balances. A new CMP system is substantially complete; with the exception of



**Figure 8**  
*Overall Compliance Rates for Los Angeles Garment Manufacturers.*

reports and the general ledger interface.

Consistent with the results of prior year testing, current year errors identified include: contested cases which were recorded in the CMP system; assessments either not recorded in the CMP system or recorded for the wrong amount; and CMP account receivable balances not recorded as of the date the CMP claim was a legally

### **James - Factory Worker Walland, Tennessee**

In the spring of 1998, James had a good job that provided health care coverage for himself and his family. His health insurance coverage was provided through his employer's group health plan and was of critical importance to him and his family since his young son Steve has a terminal degenerative disease which left him paralyzed from the waist down. In March of 1998, James learned that the health insurance coverage he had relied upon was being canceled at the end of the month, and he would be responsible for paying the medical costs associated with his son's terminal disease.

James could not afford to pay for the medical treatment that his son could not live without. With his insurance coverage coming to an end, James contacted the Department's PWBA Health Care Task Force for some assistance. After reviewing the details of his situation, the Task Force concluded that the recently enacted Health Insurance Portability Accountability Act (HIPAA) amendments to ERISA, as administered by the Department of Labor, would help James and his family by prohibiting his employer from canceling his health insurance coverage. Through the Task Force's efforts, James and his family were able to keep the health insurance coverage they could not live without.

enforceable and measurable claim. The WHD is reviewing the validity of initial data

entered into the new CMP system and initiating an ongoing data entry quality review program.

*Compliance Issue in the Wage and Hour's Back Wage Operations:* Under the provisions of the *Fair Labor Standards Act*, section 16(c), and the *Service Contract Act*, section 5(b), back wages are determined and collected by ESA for remittance to the affected employees or, if the employees cannot be located, to the U.S. Treasury. Back wages collected are held in a special deposit account for a period of time prescribed by law, after which they revert to Treasury. Although significant progress has been made in reverting funds to Treasury, as of September, approximately \$800,000 due to be distributed to employees (primarily from the San Francisco and Philadelphia regions) that should have been reverted to the U.S. Treasury was still on deposit.

### **PENSION AND WELFARE BENEFIT PROGRAMS**

#### ***FY 1998 GPRA Implementation and Accomplishments***

The Department's Pension and Welfare Benefits administration has four goals in support of the Department's plan: (1) deter and correct violations of the relevant statutes; (2) facilitate compliance; (3) assist workers in understanding their rights and protecting their benefits; and (4) encourage the growth of employment-based benefits.

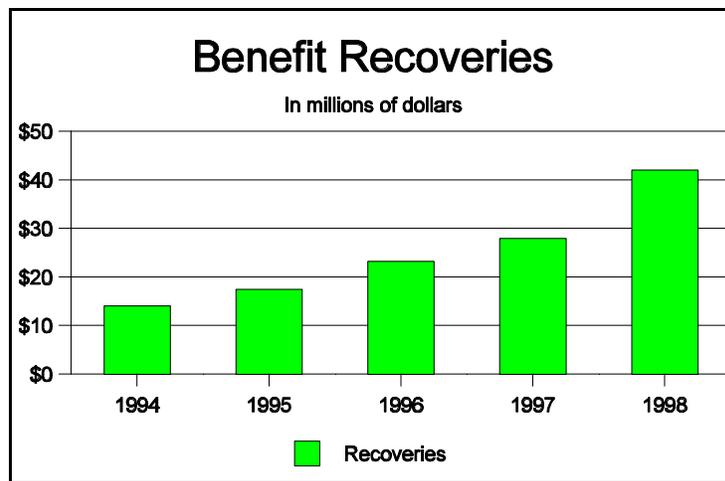
#### ***Performance Measures***

For the following program measures, performance met or exceeded established standards in FY 1998.

- Respond within an average of 10 working days to all requests for plan documents, annual reports and other information maintained for public disclosure.
- Provide timely assistance to participants and beneficiaries (85% within 30 days for written requests and 99% by close of business the next day for telephone requests).
- Provide policy and technical assistance to the Office of the Solicitor necessary to the development of "friend of the court" briefs within 10 days of the request date.
- Increase by 2.5% per year the number of closed investigations of plans where assets are restored and where prohibited transactions are reversed.
- Increase by 2.5% per year the number of fiduciary investigations closed where plan assets are protected from mismanagement and risk of future loss is reduced.
- Increase by .25% per year the ratio of closed civil cases with corrected violations to total civil cases closed.
- Increase by .25% per year the ratio of criminal cases referred for prosecution to United States Attorneys or to State prosecutors to total criminal cases.

Further, the important qualitative goal "to conduct research responsive to developing issues" was met by undertaking studies on retirement savings behavior, the small group health insurance market, and ERISA remedies or liability reform.

During FY 1998, the National Office and field offices for the Department's Pension and Welfare Benefits programs assessed civil penalties of more than \$13.9 million.



**Figure 9**  
Benefit Recoveries have increased each year since 1994.

Collections of assessed penalties for the past five years, including interest and other charges are:

**Civil Monetary Collections**

FY 1994	\$1,285,000
FY 1995	\$5,463,000
FY 1996	\$13,142,000
FY 1997	\$11,285,000
FY 1998	\$12,384,000

**Tim - A leader of a professional organization, Washington, DC**

Tim could not believe that his health insurance company would cancel his organization's health insurance coverage after providing health insurance coverage to the organization's members and their families for many years. The insurance company made a 'business decision' to cancel the health coverage which affected 500 covered individuals, including one individual who was scheduled to have brain surgery.

Tim contacted many consumer advocacy groups and was eventually referred to PWBA's Health Care Task Force. Members of the Task Force worked with Tim and facilitated discussions with the DC Insurance Department. The Task Force worked with the DC Insurance Department to identify potential violations of the Health Insurance Portability and Accountability Act of 1996. HIPAA was enacted to prevent such cancellations and to protect individuals by requiring insurance companies to renew health insurance coverage even when an individual is sick or has a pre-existing condition.

On December 1, 1998, the DC Insurance Department ordered the insurance company to renew the organization's health insurance coverage. The insurance company was required to notify each covered individual that his or her coverage would **not** be canceled. As a result, 500 individuals covered by the organization's health plan, were able to keep their health insurance coverage.

The program-specific measure of civil cases opened increased for the fifth consecutive year to 5,858 cases, up from 2,329 in FY 1994. In FY 1998, the number of civil cases referred for litigation increased to 164, compared to 128 in the prior year. Assistance to participants markedly increased with benefit recoveries for plan participants reaching \$42 million compared to \$27.9 million in FY 1997 and \$14 million in FY 1994.

The exemption program facilitates meritorious investment transactions for pension plans which would otherwise be prohibited under ERISA. During FY 1998, approximately 35 of the 190 exemption cases that were closed were highly complex, requiring careful attention to develop appropriate safeguards and conditions to address any potential conflicts of interest. Some of these cases were well over one year old. Continuing to eliminate the more complex cases from the inventory is a necessary step which should yield results in reduced average processing time for the coming years.

Regarding the decrease in monetary assets restored to benefit plans, in FY 1998 DOL closed more cases with fiduciary results than in any of the previous five fiscal years while total monetary recoveries decreased. This result is consistent with a major commitment in our enforcement strategy to look into every complaint received about 401 (k) plans. As a general rule, investigations of 401 (k) plans resulted in smaller monetary recoveries compared to the other types of investigations which we conducted in previous fiscal years. The policy was to provide oversight to these plans, although the return is not as great as with other types

of investigations.

The Department will continue to pursue legislative action to bring a long-standing audit to closure. Both the GAO and OIG have identified the limited scope of the audit provision of the Employee Retirement Income Security Act (ERISA) as a major program issue, as the Act does not provide adequate coverage for the audit of certain pension plans. In the judgment of the GAO and OIG, enactment of legislation broadening the scope of certain pension plan audit requirements is needed. This issue has been reported in the Department's Federal Managers' Financial Integrity Act report and depends upon Congressional legislative action for resolution.

### **LABOR-MANAGEMENT STANDARDS**

Under GPRA, the Department monitors its performance in enforcing provisions of the Labor-Management Standards Act against several goals critical to its statutory mission. For FY 1998, these performance goals were to ensure that: (1) 84% of annual financial reports required from unions with annual receipts over \$200,000 were timely filed, processed, and made available for public disclosure; (2) a significant percentage would rate the public disclosure services good to excellent (baseline performance data to be established by customer survey in FY 1998); and (3) 100% of employee protection certifications for the release of grant funds would be completed within 60 days of referral.

#### ***Performance Measures***

*Eighty-four percent of annual financial reports required from unions with annual*

*receipts of over \$200,000 will be timely filed, processed, and made available for public disclosure.*

The goal was substantially achieved in FY 1998. Among unions with receipts over \$200,000 required to file Labor Management Reporting and Disclosure Act (LMRDA) annual financial reports, 83.4% filed on time, an improvement over the 79.4% timely filing rate in FY 1997. To further improve results and meet the FY 1999 objective of an 85% timely filing rate, the Department will continue compliance assistance and liaison efforts to promote timely reporting compliance. These efforts will include an initiative that focuses on unions whose reports were delinquent in the prior year and special liaison contacts with international unions to seek their assistance in securing timely reporting compliance by affiliates.

#### *Customer Service.*

More than 96% of customers surveyed rated LMRDA public disclosure services good to excellent, establishing a very high performance benchmark for the future and providing public comment that will be used to improve performance where needed.

*One hundred percent of employee protection certifications for the release of grant funds will be completed within 60 days of referral.*

Under the Transportation Equity Act program, 98% of employee protection certifications were completed within the established 60-day time frame, and all but 23 of the 994 certifications issued. Those not completed within 60 days were delayed because of case complexity and workload factors. Certifications issued were issued within an average of 22 days in FY 1998. Even at this high level of performance,

which ensures expeditious handling of urban mass transit employee protections certifications, it is recognized that attainment of the 100% performance level may be impractical. This goal is under review for the future.

The Department's strategies to improve performance against these goals for FY 1999 and beyond include focused enforcement and compliance assistance objectives, and initiatives to improve the efficiency and effectiveness of program implementation.

### ***TO PROTECT WORKER BENEFITS***

*DOL plays a large role in ensuring that worker benefits are protected and that employers administer benefit programs in an appropriate way. Worker benefits include: unemployment insurance, which provides temporary income to individuals who lose their jobs; support for dislocated workers who lose their jobs due to downsizing, layoffs, natural disasters, or international trade issues; health and pension benefit programs administered according to relevant statutes; and payment of benefits from DOL administered pension plans.*

#### **UNEMPLOYMENT INSURANCE**

The Department's Unemployment Insurance (UI) program establishes the first economic line of defense for workers who lose their jobs through no fault of their own. Authorized by the Social Security Act of 1935, UI was created as a means to alleviate personal hardship due to involuntary

unemployment and to stabilize the economy.

The UI system is a unique Federal-State partnership based on Federal law but executed through State law by State officials. It is funded through employer taxes that are maintained in the Unemployment Trust Fund (UTF). Basic benefits for unemployment compensation are financed by State taxes on employer payrolls, while Federal agencies finance benefits for the unemployment compensation programs for ex-federal workers (UCFE) and ex-service members (UCX). Program administration expenses are financed through the collection of Federal Unemployment Tax Act (FUTA) taxes by the Internal Revenue Service. During FY 1998, a total of \$2.480 billion was provided to the State Employment Security Agencies (SESAs) for State administration. During this period, 7.3 million beneficiaries qualified for weeks compensated amounting to \$19.821 billion.

Claimants for UI benefits are provided services by 53 SESAs through the operation of approximately 1,700 local UI claims offices and 20 call centers. The SESAs are responsible for both the payment of UI benefits and the collection of UI taxes from all liable/subject employers.

The SESAs are also responsible for meeting performance standards set by the Secretary of Labor in two areas: first payment timeliness of UI benefits and decision promptness of UI appeals. The Secretary's standards are:

- 87% of initial *intrastate* payments will be made within 14 days of the first compensable week ending date

in States with a waiting period and within 21 days in States without a waiting period.

- 70% of initial *interstate* payments will be made within 14 days of the first compensable week ending date in States with a waiting period, and within 21 days in States without a waiting period.
- 60% of lower authority appeals decisions will be rendered within 30 days and 80% within 45 days.

The FY 1998 SESA performance data in these areas are: 90.3% for intrastate payments; 79.0% for interstate payments; 67.4% of lower authority appeals decisions rendered within 30 days; and 85.2% within 45 days.

FY 1998 performance data also measured the national Average Weekly Benefit Amounts (AWBA) received by all claimants for regular State UI, UCFE, and UCX. The AWBA was \$193 in FY 1998.

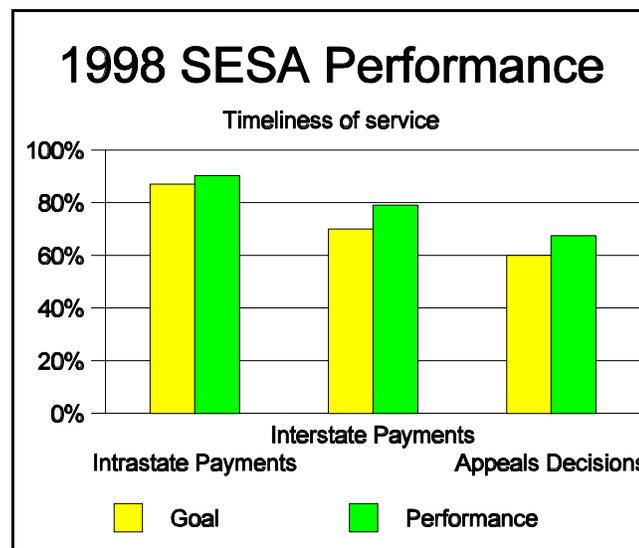
In keeping with the goal of “protecting worker benefits,” the performance goals for FY 1999 for the UI program are (a) *to meet or exceed the Secretary’s Standards for promptness in paying worker claims for Unemployment Insurance and deciding appeals, and (b) that the Average Weekly Benefit Amount (AWBA) in UI will be \$199 by the end of FY 1999.*

All facets of the measures of the Secretary’s Standards are scheduled to be validated through the UI Data Validation program, starting in FY 2000. With reference to

performance goal (b) mentioned above, the Department’s objective is to persuade the SESAs to raise the AWBA and, thereby, replace a higher percentage of beneficiaries’ wages.

*Establishment of Advisory Council required under Social Security Act:*

During FY 1997, the Office of the Inspector General noted that the Advisory Council on



**Figure 10** *Goals for Timeliness of Service have been exceeded for all measured categories.*

Unemployment Compensation (ACUC), required by section 908 of the *Social Security Act*, had not been reestablished. The current audit found that a new ACUC had still not been established nor had a time frame been provided as to when another council would be discussed or established.

*Supplementary Cash Management Regulations needed:* ETA and the Department of the Treasury have implemented a new on-line system for the drawdown of funds and developed Cash

Management Improvement Act (CMIA) regulations addressing the UTF. The Department's Federal Managers' Financial Integrity Act report covers ETA's plans to develop regulations governing unemployment fund cash management to complement the CMIA regulations.

*Documentation required for UTF*

*Administrative Costs:* ETA needs supporting data to document that DOL's administrative charges to the UTF represent actual expenditures in accordance with the budget. While the implementation of instructions issued by the OCFO began in FY 1997, an OIG audit reports that completion of the corrective action plan is dependent on all agencies properly implementing the instructions.

*Investment Interest Receivable Accruals*

*Need Better Monitoring:*

UTF interest receivable accruals were calculated by Treasury and entered in the Department's general ledger without review by ETA or the OCFO. As of September 30, 1998, interest receivables totaled \$1.2 billion. Although Treasury has custodial authority over UTF investments, the Department of Labor, through agreement with Treasury, has assumed budgetary and reporting responsibility for UTF balances. The OIG has recommended controls be put in place to assure management that recorded transactions by Treasury are correct.

*Completing the Federal Employees*

*Unemployment Compensation System:*

In previous audits of the UTF, recommendations were made to establish an accounting system for the Federal Employment Compensation (FEC) Account. Management anticipates the integration of

the FEC accounting system with the Department's general ledger to be completed by the end of FY 1999.

*SESA Real Property:*

In prior years, ETA also did not maintain sufficient accountability over real property purchased with State Employment Security Agencies (SESA) grant funds in which the Department maintains a reversionary interest. ETA established a position to monitor and develop written guidance for recording of SESA real property. However, ETA still cannot provide a complete and up-to-date SESA inventory list or state certifications of SESA real property. ETA is currently updating the SESA real property inventory list and obtaining state certifications.

**WORKERS' COMPENSATION PROGRAMS**

The Department of Labor administers three primary disability compensation programs that provide benefits to certain workers who experience work-related injury or disease, and survivors of employees who die from job-related injuries or diseases.

Compensation for most private-sector workers suffering job-related injuries is administered by state agencies. In FY 1998, the Department issued compensation payments of more than \$2.5 billion in medical and wage-loss benefits to nearly 314,000 workers who had been hurt or became ill on the job or to the survivors of those who died.

These disability programs provide timely benefits for covered coal miners, longshore workers and Federal employees, and effective intervention for injured Federal employees to enable them to recover to the fullest extent possible. The Department also

manages benefit funds from which employee benefits are paid, ensuring the funding will be available for eligible employees.

The following program-based and Departmental level performance goals set

***In FY 1998, the Department issued compensation payments of more than \$2.5 billion in medical and wage-loss benefits to nearly 314,000 workers who had been hurt or became ill on the job or to survivors.***

specific achievement levels to be reached by the Year 2002: (1) Return employees to work following a work injury as early as appropriate, as measured by a reduction in the average number of lost production days of injured Federal employees covered under the Federal Employees' Compensation Act (FECA) by 4%; (2) Reduce amount paid for FECA medical services by 4%; (3) Produce \$40 million in FECA compensation benefit savings through Periodic Roll Management reviews; (4) Increase customer satisfaction with FECA and Longshore services by 10%; (5) Increase timeliness of new FECA claims filing by employing agencies by 16 percentage points; (6) Increase the quality of FECA claims adjudication by 8 percentage points, and (7) Provide the same level of service to Part B beneficiaries in the Black Lung benefits program that Part C beneficiaries currently receive by processing

95% of Part B maintenance actions within 30 days.

Strategies to achieve these goals include swift, clear decisions; reducing paperwork and procedural "steps"; reaching out to the customer with needed services; working effectively with employers and others to get injured workers back on the job; continuing the involvement of all employees in the achievement of these outcomes; and, upgraded technology, "paperless" claims and benefit processing. All these lead to a better level of services for workers and lessened compensation costs for employers.

#### ***Federal Employees' Compensation Act (FECA)***

The Federal Employees' Compensation Act (FECA) affords income and medical-cost protection for job-related injuries, diseases or deaths of civilian employees of the Federal government and certain other groups. Benefits are charged back to Federal employers who pay from funds appropriated in their annual budgets or from operating revenues. In FY 1998, FECA received 165,000 Federal employee injury reports. Of this number, most were adjudicated timely—95.9% of traumatic injuries within 45 days, and 92% of the non-traumatic injury cases within 180 days.

Reducing lost production days (LPD) is FECA's most important goal. This goal promotes Federal workforce security. Its objective is to reduce disability due to work injury through better medical care, active intervention to return injured workers to work, and more efficient, less resource-intensive claims operations. Average time loss from work within the first year of disability for cases measured under FECA's

Quality Case Management program in the fourth quarter of FY 1998 was 184 days, a drop of 5 days compared to the average 189 days in FY 1997.

DOL has proposed as a joint OSHA/ESA-OWCP effort, a Presidential Initiative called Federal Worker 2000. The goals will include reducing injuries and speeding reports of injuries that do occur, lowering injury rates in high incidence work sites, and lowering the lost production days average. The latter measure will cover all injuries, for which FECA plans to establish a baseline for measuring all disability cases in FY 2000, in cooperation with all Federal employing agencies.

In FY 1998, the FECA program continued the Periodic Roll Management Project (PRM) which was aimed at quality management of the disability roll, improvement in service to long-term disabled beneficiaries, rehabilitation and reemployment of the partially disabled and adjustment of benefits to accurately reflect eligibility. PRM project teams in eight district offices screened 4,500 long-term cases, bringing the total count of cases screened since April 1992 to 44,800. By the end of FY 1998, 31% of those cases had benefits adjusted or terminated, and cumulative savings from these actions between FY 1992 and FY 1998 totaled \$317 million. PRM will be expanded and integrated into permanent FECA operations in FY 1999.

Use of a medical fee schedule has been successful in controlling physician and other non-inpatient medical costs. In FY 1997, for example, the program reduced medical provider bills by \$87 million using the fee

schedule. Savings in FY 1998 were approximately \$112 million. Effective on January 4, 1999, final regulations apply a fee schedule to pharmacy bills and regulate hospital inpatient services using the Diagnostic Related Group (DRG) approach adopted by HHS for Medicare bills. Rising costs in the latter category have been the chief source of the recent overall increase in medical payments in the FECA program.

The Department continues to emphasize customer service and program responsiveness. Some manual processes are being replaced by Electronic Data Interchange (EDI), including electronic receipt and processing of pharmacy (and soon hospital) bills, and soon injury reports and claims documentation. Information is being more efficiently provided by electronic means. The Automated Query System (AQS) enables Federal agencies to get information on their employees' claims. OWCP's Interactive Voice Response (IVR) systems save staff time by accurately directing telephone callers and providing basic information. Manual work will be reduced further in the future as document imaging technology converts paper case files to electronic form. Further, the recently enacted regulations will cut red tape and eliminate unnecessary steps.

Another goal focuses on OWCP's relationship with Federal employers and their role in providing services to their injured employees by improving the timeliness of new injury claims filing. Prompt injury reporting supports lost production days reduction and customer service improvement goals by speeding case processing and intervention by nurses so that injury recovery and return to work will

occur sooner.

The quality of claims decisions goal strengthens program integrity and service delivery. Expressed as a Quality Index score based upon the results of program accountability reviews, this indicator measures the accuracy of claims decisions affecting basic entitlement to benefits.

**"Average time-loss from work in new FECA disability cases dropped by 5 days during FY 1998".**

*FECA Program Management Issues Segregation of Duties:* Claims examiners have the ability to change the address field in the payment system and can also initiate and compute payments.

*Chargeback Accounting:* Improvements are still needed in the reconciliation process between Treasury reports and the billings to other Federal agencies for Federal workers compensation benefits paid by DOL on their behalf.

*Continuing Eligibility - SSA Earnings Confirmation:* Improvements are still needed in obtaining earnings statements from the Social Security Administration; OWCP is working to obtain this information in an automated fashion.

*Medical Bill Payment System (BPS):* Improvements are still needed at the district offices to ensure that medical bills are keyed correctly.

*Accounts Receivable:* OWCP's debt management system includes inaccurate accounts receivable due to errors in recording overpayments and assessment of interest and other posting errors.

*FECA Actuarial Model:* FECA needs to complete the documentation of the FECA Actuarial model.

### ***Longshore and Harbor Workers' Compensation***

The Longshore and Harbor Workers' Compensation Act authorizes medical benefits, compensation for lost-wages and rehabilitation services for job-related injuries, diseases or death of private-sector workers in certain maritime and related employment. Benefits are paid directly from private funds by an authorized self-insured employer or through an authorized insurance carrier. In certain cases, benefits are paid from a special fund composed primarily of employer contributions and administered by the Department. In calendar year 1997, about 55,000 maritime workers or their survivors received benefits from employers. At the end of FY 1998, 6,742 workers were receiving recurring compensation benefits from the Longshore Special Fund. The Longshore program is committed to increasing customer satisfaction with its services as part of the GPRA strategic planning effort. Customer survey results in FY 1997 provided a satisfaction baseline rating of 67 %, which increased to 70% in FY 1998.

*Longshore Program Management Issues:* In previous audits, weaknesses were identified in the internal controls for the reporting and authorization of payments to rehabilitation service providers. The

weaknesses pertain to the controls between the district offices' submission of bills and the national office authorization for payment. An automated system is being developed which should improve controls in this area.

### ***Black Lung Benefits Program***

The Black Lung Benefits program provides monetary compensation and medical benefits to coal miners who are totally disabled by pneumoconiosis caused by their employment and monetary benefits to their dependent survivors. When no responsible mine operator can be assigned liability, or when coal mine employment ceased before 1970, benefits are paid from the Black Lung Disability Trust Fund.

Trust Fund revenues consist of monies collected from the coal mine industry in the form of an excise tax on mined coal that is sold; funds collected from responsible mine operators for monies they owe the Trust Fund; payments from various fines, penalties and interest; refunds collected from claimants and beneficiaries for overpayments; and repayable advances obtained from Treasury's general fund when Trust Fund expenses exceed revenues. While revenues from excise taxes and repayments from operators and claimants have been sufficient to cover benefit and operating costs in recent years, the Trust Fund debt continues to grow as advances from the general fund are needed to pay the interest on past loans. Interest payments of

\$495 million were made in FY 1998, necessitating advances of \$370 million. Total indebtedness stood at \$5,856,556,899 as of September 30, 1998.

At the end of FY 1998, the Black Lung Benefits program provided monthly benefits to 58,320 Part C beneficiaries, while 12,861 Part C beneficiaries were receiving medical benefits only. In addition, the program assumed administrative responsibility for Part B claims from the Social Security Administration as part of an effort to streamline and consolidate black lung claims handling within a single agency. As of September 30, 1998, the program was performing maintenance actions for approximately 95,000 active Part B beneficiaries. The Part B maintenance actions Strategic Plan goal reflects the program's determination to provide quality service to both its Part B and Part C beneficiaries.

### ***Black Lung Actuarial Model:***

The OIG's FY 1995 financial statement audit noted that several assumptions used by the Black Lung actuarial model had not been updated recently or reviewed to determine if changes were necessary. ESA agreed to review and revise elements of the actuarial model. Certain elements have been addressed; however, management should continue to refine and update the model for the following elements: age distribution, new entrant assumptions, and mortality table updates.

**TO PROVIDE  
WORKER  
RETRAINING**

*DOL will continue to improve the level and quality of employment and earnings outcomes for dislocated workers by using discretionary grant awards to improve quality service standards and outcomes in all program activities. ETA, in particular, will integrate all available funding sources, including continued expansion of the joint enrollment in both dislocated worker and trade adjustment programs, to ensure early intervention assistance and timely submission and processing of requests for funding.*

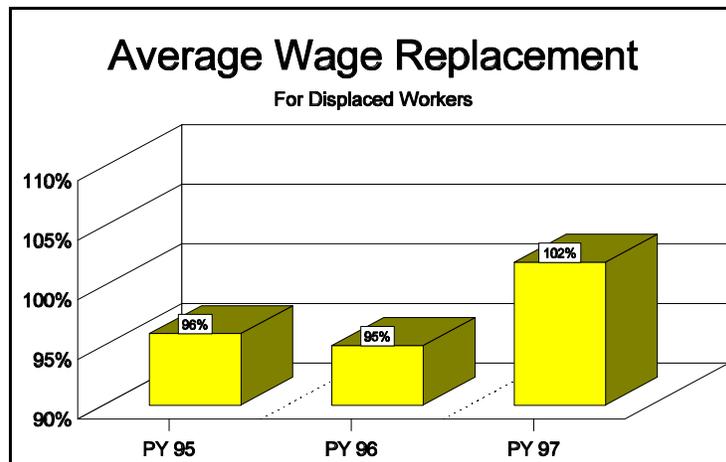
Programs addressing the outcome goal of “providing worker retraining” are the Job Training and Partnership Act (JTPA) Title III program, the Trade Adjustment Assistance (TAA) program, and the North American Free Trade Agreement-Transitional Adjustment Assistance (NAFTA-TAA) program

**JOB TRAINING AND PARTNERSHIP ACT (JTPA) TITLE III PROGRAM**

The dislocated worker program seeks to maximize placement and wage replacement through community adjustment and retraining activities. Funding for the dislocated worker program for Program year (PY) 1997 was \$1.286 billion.

Eighty percent of the appropriation for the

dislocated worker program under Title III of the JTPA is provided to States through formula-funded block grants. The remainder of the funds are awarded to States, on an as needed basis, to enable them to respond to specific dislocation events, which they could not address with their existing resources. These funds are used to provide training and reemployment assistance to dislocated workers – those losing jobs through plant closings and mass layoffs – and to unemployed individuals



**Figure 11** This chart shows the average wage earned by displaced workers 13 weeks after leaving the JTPA Title III program as a percentage of their average wage rate when laid off of their prior jobs.

with little prospect of returning to their previous occupations.

An estimated 614,000 dislocated workers were served in PY 1997 up from 548,830 in PY 1996. Performance results for PY 1997 showed that 73% of program terminees were employed (entered employment rate) at an average wage replacement rate of 98%. One quarter after program exit, 72% of program terminees were employed at an

average replacement rate of 102%.

The performance goal for FY 1999 for the JTPA Title III dislocated worker program that will contribute to “providing worker retraining” is *for 74% of program terminatees to be employed at an average wage replacement rate of 93% at termination; and for 76% of program terminatees to be employed one quarter after program exit at an average wage replacement rate of 97%. These goals will be reconsidered given the PY 1997 results which exceeded expectations.*

**TRADE ADJUSTMENT ASSISTANCE (TAA)  
AND NORTH AMERICAN FREE TRADE  
AGREEMENT-TRANSITIONAL ADJUSTMENT  
ASSISTANCE (NAFTA-TAA)**

Trade Adjustment Assistance provides readjustment services and benefits for workers whose dislocations are related to imports. These services and benefits include occupational and remedial training, job search assistance, relocation assistance, and income support for workers in approved training.

In FY 1998, \$96.7 million was provided to States for TAA training, job search and relocation. This funding was used to enroll an estimated 19,390 workers in classroom or on-the-job training and to provide job search assistance to an estimated 316 workers and relocation allowances to an estimated 524 workers. An additional \$30.0 million was provided for similar assistance under the North American Free Trade Agreement-Transitional Adjustment Assistance program, primarily to enroll an estimated 3,000 workers in classroom or on-the-job training. Additionally, \$174.7 million in

Trade Readjustment Allowance benefits and \$20.9 million in NAFTA-TAA Readjustment Allowance benefits were provided to States in FY 1998.

No performance outcome data on employment of program terminatees are available for FY 1998 for the TAA or NAFTA-TAA programs. The Office of Trade Adjustment Assistance has implemented a new performance measures and participant outcome data system which will measure and report on the outcomes achieved by TAA and NAFTA-TAA terminatees and guide program improvement projects. Data from this new system will be reported in FY 1999.

*Program Performance Measures:*

An OIG audit identified the need for the TAA program to adopt clearly stated and defined program goals, objectives, participant follow-up techniques, and related performance measures. Data are needed to properly evaluate the program and meet GPRA reporting requirements. ETA has published regulations providing guidance to the States in the approval of training programs for dislocated workers. The regulations also provide criteria for waiving the training requirement to determine worker eligibility for supplemental income support. ETA has also required its regional offices to review these practices in the states' programs. ETA will develop a system to collect data necessary for comparison of results against program goals and objectives.

The performance goal for FY 1999 for the TAA and NAFTA-TAA programs that will contribute to “providing worker retraining” is *for 72% of program terminatees of these programs to be employed.*

