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A Message from the Secretary

I am pleased to issue the Department of Labor's accountability report for Fiscal Year 1998. This report presents financial, program and performance data on the Department for Fiscal Year 1998 and charts our progress in meeting three strategic goals: **A Prepared Workforce**--to enhance opportunities for America's workforce; **A Secure Workforce**--to promote the economic security of workers and families; and **Quality Workplaces**--to foster workplaces that are safe, healthy, fair and free of discrimination.

I am committed to accomplishing the Department's strategic goals for America's workers, retirees and their families, and I will ensure that we achieve results with any tax dollars that we invest.

I am proud to report that the Department's Inspector General has issued an unqualified opinion on the Department's Financial Statements for FY 1998. This achievement provides us with a solid foundation for meeting the high standards of financial reporting required by the Government Performance and Results Act and other statutes. With this unqualified opinion and other information, I can certify with reasonable assurance that the Department's systems of accounting and internal controls comply with the Federal Managers' Financial Integrity Act.

Maintaining the public's trust and providing sound stewardship of tax dollars is a goal that is vital to me and to this Department. My hope is that this report, which explains our programs and documents our achievements, will bolster the public's confidence that the Department of Labor is making wise and efficient use of its resources.

Alexis M. Herman
Secretary of Labor

A Message from the Chief Financial Officer

I am pleased to join with Secretary Herman in presenting the Department of Labor's Accountability Report for Fiscal Year 1998. This report, authorized by the Government Management Reform Act of 1994 (GMRA), consolidates in one document information that was previously distributed in several separate reports.

The Department continues to establish an outstanding record in financial management. Under GMRA and the Chief Financial Officer (CFO) Act of 1990, all Federal agencies are required to produce annual financial statements, and to have the statements audited. The Department's Inspector General issued an unqualified, or "clean," opinion on our Fiscal Year 1998 consolidated financial statements, the second consecutive year that DOL has attained this high level of financial performance.

The audit report also states that, once again, no material weaknesses were found in the department's system of internal controls that would affect the accuracy of financial statements. Considerable effort was needed throughout the Department to meet new accounting standards that went into effect in FY 1998. Most notably, our compliance with the new managerial cost accounting standard establishes an important foundation for relating financial and program information under the Government Performance and Results Act.

We continue to work to ensure that all financial systems comply with the requirements of the Federal Financial Management Improvement Act, and to resolve and close remaining reportable conditions raised in the 1998 financial statements audit. In this past fiscal year, we brought two of seven subsidiary systems requiring modifications into compliance with the Act's standards. We fully expect to bring four of the remaining systems into compliance in FY 1999 and the remaining system will be corrected in FY 2000. I am pleased to report that the Department's core accounting and payroll systems meet the Act's standards, and have also been renovated to meet Year 2000 processing requirements.

This Accountability Report expands upon last year's presentation under the Department's Strategic Plan to include discussions of the programs furthering each of our eleven outcome goals. These outcome goals are reported within Secretary Herman's three broad strategic goals. Baseline information to be used next year when reporting for the first time under the Government Performance Results Act is featured in this report. Our challenge in FY 1999 and beyond will be to provide our stakeholders an accounting for results against these baselines in each major program and provide useful, relevant financial information. We look forward to meeting this challenge.

Kenneth M. Bresnahan
Acting Chief Financial Officer

Introduction

Created by a law signed by President William H. Taft on March 4, 1913, the U.S. Department of Labor is one of the oldest cabinet level departments in the Federal government.

OUR MISSION

The Department of Labor fosters and promotes the welfare of the job seekers, wage earners, and retirees of the United States by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening free collective bargaining, and tracking changes in employment, prices and other national economic measurements. In carrying out this mission, the Department administers a variety of federal labor laws including those that guarantee workers' rights to safe and healthful working conditions; a minimum hourly wage and overtime pay; freedom from employment discrimination; unemployment insurance; and other income support.

OUR VISION

As we prepare to enter the 21st century, the Department will ensure that it has an effective strategy for improving the lives of America's working families and retirees. We will assist all workers in their efforts to achieve economic security with rising wages, pensions, health benefits, and opportunities to improve their skills in safe and healthful workplaces free from discrimination. The Department will encourage every workplace to support families, respect diversity, and foster cooperation between employers and workers. Our challenge will be to assist those trying to enter the workforce to get good jobs, to expand opportunity and security for all workers, and to maintain our pre-eminence in the broad field of labor economics and statistics.

The steps taken today to prepare the workforce will determine America's leadership in the next century. Working with public, private, and non-profit partners to achieve common goals, the Department will employ flexible, innovative, and coordinated responses to meet our challenges and to provide all working families with opportunity, security, and quality workplaces.

OUR ORGANIZATION

The Department's mission is carried out by nine major agencies and 14 staff and program support agencies reporting to the Secretary of Labor. Department of Labor employees are located in a network of 960 national, regional, and field offices in 577 locations throughout the United States and its territories. The programs with the largest annual budgets--funding Unemployment Insurance operations and job training programs -- are carried out under Departmental direction primarily by state and local governments, their contractors and grantees.

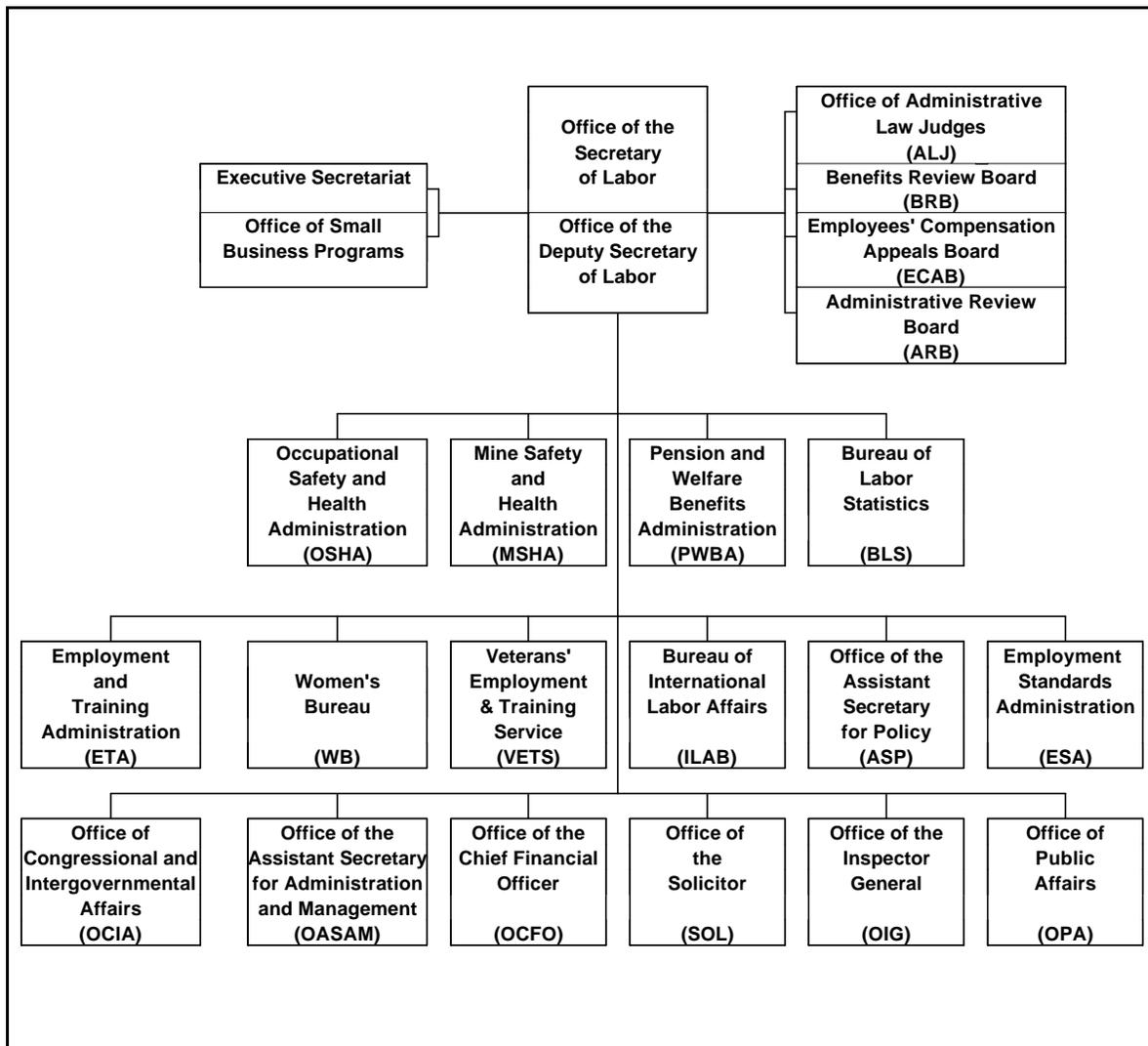


Figure 1 Department of Labor Organization

OUR GOALS

With the arrival of Secretary Herman in FY 1997, the Department refined its goals and priorities to better meet the needs of America's working men and women in the new century. While the original purpose of the 1913 Act establishing the Department remains the central tenet for the Department's programs, **The Government Performance and Results Act (GPRA)** provided an opportunity to develop a modern framework for meeting the challenges of helping every American participate and prosper in today's highly competitive global economy.

GPRA has provided a valuable set of tools to enhance the Department's program and managerial effectiveness. Our work--and this report-- is organized around Secretary Herman's three strategic goals. Within each strategic goal, specific outcome goals further define the Department's major programs, as displayed below.

DOL Strategic and Outcome Goals

A PREPARED WORKFORCE

- **Increase Employment, Earnings, and Assistance**
- **Assist Youth in Making the Transition to Work**
- **Provide Information and Tools about Work**
- **Provide Information and Analysis on the U.S. Economy**

A SECURE WORKFORCE

- **Increase Compliance with Worker Protection Laws**
- **Protect Worker Benefits**
- **Provide Worker Retraining**

QUALITY WORKPLACES

- **Reduce Workplace Injuries, Illnesses, and Fatalities**
- **Foster Equal Opportunity Workplaces**
- **Support a Greater Balance between Work and Family**
- **Reduce Exploitation of Child Labor and Address Core International Labor Standards Issues**

The first annual performance report under GPRA will cover FY 1999 performance, and will be published in March, 2000. This report identifies our FY 1999 performance measures and provides FY 1998 data in those programs for which baseline information is available. For some DOL agencies, the FY 1999 measures represent either new programs or newly adopted measures for which baseline data is under development. In these programs, a more general description of program accomplishments in FY 1998 is provided. The section of this report on maintaining a Departmental Strategic Management Focus (pages 54-75) provides a listing of the Department's FY 1999 performance measures and related FY 1998 activity.

AGENCY PERFORMANCE GOALS AND PROGRAM ACCOMPLISHMENTS

FY 1998 has been a year of transition for DOL to refocus the context of the Department's programs from a traditional Agency structure to one that aligns with the Secretary's Three Cross-Cutting Goals. Accordingly, the program accomplishments which follow are not addressed by DOL component agency, but instead are presented within this three goal framework. Major workforce legislation, the Workforce Investment Act, was signed by the President on August 7, 1998, provides a framework for reforming the national workforce preparation and employment system, and designing it to meet the needs of employers, job seekers, and those who want to further their careers.

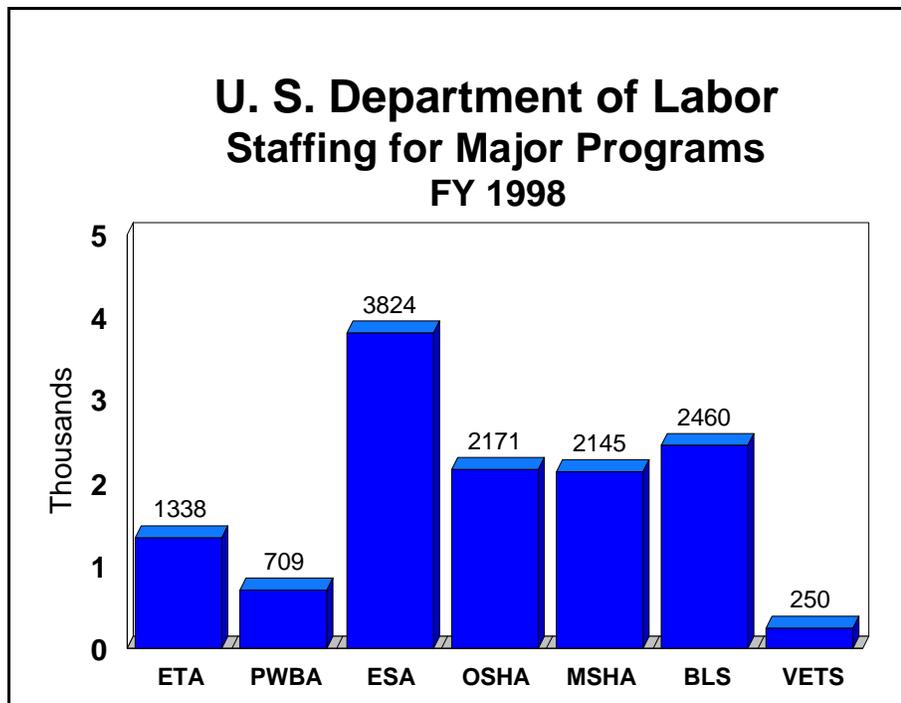


Figure 2 *The program agency staffs are largely in 577 locations throughout the United States and its territories.*

OUR BUDGET

The DOL Budget for FY 1998 reflects the highly decentralized nature of the Department's major programs. The majority of Benefit Payments are made by State Employment Security agencies for unemployment compensation. Most grant expenditures are made to state and local entities carrying out unemployment insurance, employment services, and job training programs.

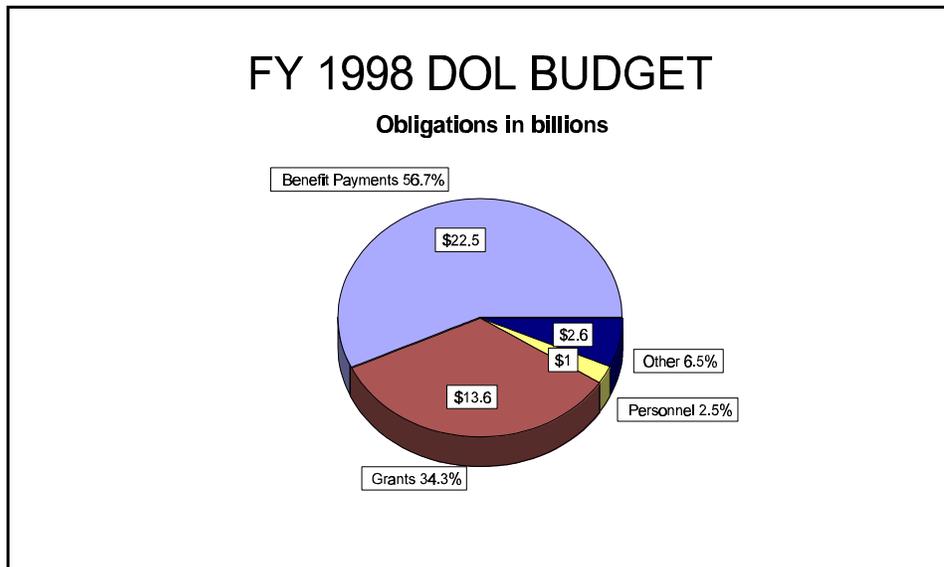


Figure 3 Major budget categories for the Department of Labor.